

# *Reforming the Affordable Care Act's* *Hospital Readmissions Program*

## Background:

The Hospital Readmissions Reduction Program (HRRP) was established as part of the Affordable Care Act in 2010 to incentivize coordination of care and reduce preventable readmissions by penalizing hospitals with higher-than-average Medicare readmissions rates. The HRRP reduces payments to hospitals with excess readmissions during the prior three years, and the program currently includes risk-adjustment for clinical factors such as comorbidities and severity of illness. In 2013, HRRP penalties were capped at 1 percent of a hospital's inpatient base operating payments. The cap increases to 2 percent in 2014, and remains at 3 percent in 2015 and thereafter.

### *“Establishing Beneficiary Equity in the Hospital Readmission Program Act of 2015”*

Sponsored by Senators Manchin (D-WV), Nelson (D-FL), Kirk (R-IL), Portman (R-OH) and Wicker (R-MS), this budget-neutral bill would require the Centers for Medicare and Medicaid Services (CMS) to account for patient socio-economic status when calculating the risk-adjusted readmissions penalties.

## Provisions:

- **Transitional Measure:** The bill would initially use a transitional measure of patient socioeconomic status comprised of:
  1. The number of Medicare/Medicaid dual-eligible patients the hospital serves **and**
  2. Census Bureau data related to income, education level, and/or poverty rate.
- **Long-Term Measure Based on IMPACT Act Reports:** Following the completion of the reports required by the *IMPACT Act*, CMS would be required to use the findings in those reports to establish a risk adjustment measure to ensure that hospitals serving a greater number of low-income individuals will not be unfairly penalized.

*The IMPACT Act requires HHS to conduct studies that examine the effect of individuals' socioeconomic status, race, health literacy, limited English proficiency, and patient activation on quality and resource use, and it requires the Secretary to make recommendations on how to account for such factors in the quality and resource measures if a relationship is found.*

- The bill would require a MedPAC study on the appropriateness of the 30-day readmission threshold.
- It would also require an HHS study, including input from a technical expert panel, on excluding certain clinical conditions that would require frequent hospitalization from the calculation of excess readmissions.
- It would require the Secretary to apply the findings of the study to the calculation of a hospital's excess readmission ratio.