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Quality Initiative to Reduce Hospital Potentially Preventable Readmissions (PPR): Status Update

The PPR policy is a healthcare quality initiative that is designed to focus on those inpatient hospital readmissions that are considered potentially preventable by the hospital. It requires hospitals to review their discharge planning and post-discharge planning care to determine if clients are being discharged too quickly too sick, if there is poor discharge planning or poor follow-up care.

Early analyses of hospital readmissions demonstrated that a quality initiative to reduce PPR was needed in the Illinois Medicaid Program. As examples:

- In Hospital A, 90% of the readmissions that were considered potentially preventable for the ventricular shunt procedure were due to malfunction of the shunt (20 out of 22 procedures); the hospital had a 3 times higher potentially preventable readmission rate than the expected rate for appendectomy, and 80% of the readmissions considered potentially preventable for appendectomy were due to gastrointestinal infection.
- Hospital B had a 38% higher rate of readmission for Septicemia than the statewide expected rate. This is a deadly infection that has a 60-70% contraction rate within the hospital. 30% of the potentially preventable readmissions for kidney infection were due to Septicemia. 100% of the clients who were pulled for a sample that were repeatedly readmitted to this hospital for Septicemia died within a year.

Illinois can do better! While not all readmissions can be prevented, if a hospital has a higher than average (or expected) rate of readmissions, then the hospital needs to improve its performance. By reducing these potentially preventable readmissions, hospitals will improve the quality of care of their Medicaid clients and will save state Medicaid dollars.

Calculation for FY 2013 Potentially Preventable Readmissions

HFS used FY 2010 inpatient hospital claims data submitted by Illinois hospitals and 3M's Potentially Preventable Readmission (PPR) software to calculate a readmission rate for each hospital known as the hospital's "actual" rate. The "actual" rate of readmission is calculated at the APR DRG Severity of Illness (SOI) level which is compared to a calculated statewide "target" rate for the same APR DRG SOI.

The target rates are specific to each hospital based on the hospital's case mix and adjusted for the patients' SOI and further risk adjusted by age and a secondary diagnosis of behavioral health (since

a patient with a secondary diagnosis of BH is expected to have a higher rate of readmission). Both rates are rolled into an aggregate to determine an overall rate that measures the hospital's potentially preventable readmission performance. The readmissions data is a compilation of all IL hospitals' Medical Assistance claims data submitted to HFS on an annual basis.

Although the goal is to see overall hospital readmissions decrease, each hospital is responsible for its own performance. Each hospital is unique to the clients it serves and therefore the measurement of readmission is specific to that hospital. As HFS is not able to predict how a hospital will perform in a prospective year, historic data is used to set the hospital's "actual" and "target" PPR rates to evaluate a hospital's readmission performance. This use of historic data is consistent with any rate setting or payment methodology (e.g. hospital assessments, supplemental payments).

FY 2010 was the most current, fully adjudicated data available at the time of implementation and therefore is the base year. A trending analysis was done on 2009, 2010 and eleven months of 2011 which showed a consistent PPR rate across all three years. HFS then calculated a payment reduction for each hospital where the hospital's actual PPR rate exceeded its target PPR rate based on the excess number of PPR chains above the target, multiplied by the average cost of PPRs for that hospital.

PPR Policy for FY 2013

The SMART Act provided that in the instance on readmissions, hospital expenditures would be reduced by a minimum of $40M by June 30, 2013. However, the hospital community – through the Illinois Hospital Association and the Safety Net Hospital Association -- argued that the $40M reduction goal was intended to include cost avoidance. That meant that the hospitals could reduce some or all of their monetary penalties (or reductions in payment) due to excess readmissions, by changing their policies and procedures in order to decrease the number of potentially preventable readmissions.

Through extensive negotiations, HFS and the hospital community agreed to change the initial PPR policy that would have reduced hospital inpatient expenditures for hospitals above their target by the full payment reduction amount. Instead, HFS would only reduce hospital inpatient expenditures by 25% (of the $40M) of the payment reduction owed. Hospitals would have the remainder of FY 2013 to review their hospital specific reports and their hospital specific data files to address the excessive readmissions and therefore attempt to cost-avoid the remaining amount owed to HFS (75% of the $40M).

Calculation for FY 2013 Cost Avoidance

Since FY 2010 data was used to set the prospective FY2013 PPR rates, the cost avoidance was calculated by waiting until the close of FY2013 after all hospital inpatient claims had been submitted to HFS (after Jan. 1, 2014), then running the FY2013 inpatient claims data through the same version of the PPR software and comparing the base year (FY10) to FY13, adjusting for hospital volume and case mix. An example of the calculation is available for review. For those hospitals that were able to reduce their PPR rate and the average cost per PPR chain, then that amount was considered a cost avoidance and was deducted from the remaining payment reduction

amount owed. If a hospital met its target, then no additional monies are owed to HFS for that hospital.

82 Hospitals Have FY 2013 PPR Payment Penalties After Cost Avoidance

In FY 2013, a total of $5,632,945 was recouped through the 25% reductions in claims payments. The remaining PPR payment reduction amounts would have equaled $34,883,631. However, with calculations for cost avoidance factored in, those payment reductions were reduced to $16,343,857. Instead of reducing hospital inpatient claims data, 82 hospitals will have payment penalties in the amount of $16.3M recouped by HFS. 65 hospitals were able to reduce their payment penalties to -0- through cost avoidance.

Hospital payment penalties will be recouped by notifying hospitals of the amount they owe, and seek to have hospitals pay HFS that amount, in the total annual or 12 monthly payments beginning August 2014.

PPR Policy for FY 2014

Extensive negotiations were conducted between HFS and the hospital community to develop a PPR methodology for FY2014 and subsequent years. Several changes were made to the policy which included:

- Adjusting the PPR rates for those children's hospitals that were considered a Tier I Pediatric Intensive Care Unit (PICU), since these children have a higher expected rate of readmission;
- Children's psychiatric behavioral health services were removed;
- Lowering the PPR average to .85 for acute services and .9 for adult behavioral health services instead of establishing a monetary target of $40M. The .9 for adult behavioral health recognizes a higher expected rate of readmission than .85 for acute services;
- Applying no payment reductions within the year, giving hospitals one year to reduce their readmissions before any payment penalty is collected; and
- Reducing the payment penalty to half the amount owed for the state portion of Medicaid since it was argued that federal CMS would not recoup its federal match for payment penalties.

For more information, please contact HFS at hfs.hospitals@illinois.gov