

Grant Outcomes Report

Reducing Hospital Readmissions in New York State

The Problem:

Hospital readmissions—patients returning to the hospital within 30 days of an initial hospital stay—cost Medicare \$15 billion a year. Nearly one in five Medicare patients is readmitted within 30 days, and similar ratios persist for privately insured patients. High readmission rates can indicate premature discharge, inadequate discharge planning, poor communication with the physician responsible for the patient's post-discharge care, or unacceptable levels of hospital-acquired infections. Many of these practices and ensuing complications can be avoided or prevented.

Reducing the rate of hospital readmissions has great potential to help constrain health care costs and improve the quality of health care. New York State is particularly fertile for examination, as its residents use nearly 50% more hospital days than the national average and the State ranked 50th, out of the 50 states and D.C., on avoidable hospital use and costs in a 2009 Commonwealth Fund scorecard.

The New York State Health Foundation (NYSHealth) awarded Mathematica Policy Research (Mathematica) a \$289,600 grant to estimate the cost of readmissions and the impact of clinical and payment interventions on the rate and cost of readmissions.

Grant Activities & Outcomes:

NYSHealth funded Mathematica to conduct a comprehensive analysis of hospital readmissions in New York State. The study focused on which hospitals have the highest rates, how many stays in New York resulted in a readmission, how many readmissions might be avoidable, and what it all costs. The project would also evaluate the potential for payment reform approaches to reduce those rates. Among the project activities:

- Using New York State hospital discharge data covering 2006–2008 from the Statewide Planning and Research Cooperative System (SPARCS) database, Mathematica estimated the costs of

KEY INFORMATION:

GRANTEE

Mathematica Policy Research

GRANT TITLE

Reducing Hospital Readmissions
in New York State

DATES

September 1, 2009–December 5, 2011

GRANT AMOUNT

\$289,660

FUNDING

Cost Containment RFP

readmissions and stratified readmission rates by type of stay, patient age, type of insurance coverage, geographic region, type of hospital, disproportionate share status, and type of diagnosis.

- Mathematica developed an analysis of hospitals' decisions to invest in reducing readmissions and their behavioral responses to payment strategies, estimating the impact of two clinical interventions and two payment interventions—pay-for-performance and episode-based payments—on costs and readmission rates.
- Mathematica assessed the costs and benefits of an alternative payment approach, where public and private insurers directly paid the hospital to implement specific clinical interventions to reduce readmission rates.

Mathematica produced a report in September 2011, "Reducing Hospital Readmissions in New York State: A Simulation Analysis of Alternative Payment Incentives."¹ The report examined both the prevalence and cost of readmissions and the potential effectiveness of payment incentives to reduce readmissions. Among the report's major findings and conclusions:

- Hospital readmissions in New York State cost \$3.7 billion per year, or 16% of total hospital spending from 2006 to 2008.
- Nearly 15% of all initial hospital stays in the State resulted in a readmission within 30 days, which translates to nearly 274,000 additional hospital stays.
- Almost 6% of all hospital spending, or \$1.3 billion per year, was driven by readmissions due to potentially avoidable complications or infections.
- Although Medicare-qualifying patients aged 65 and over accounted for more than half of all readmissions in New York State, readmissions were also a source of significant costs for Medicaid and private payers.
- Readmission rates vary widely among hospitals, even when adjusted for case mix.
- Improving discharge processes and post-discharge support can reduce hospital readmissions by one-third.
- Payment incentives can reduce readmissions and costs. Hospitals were expected to be more responsive to episode-based payment incentives, but payers are more likely to recapture near-term savings from pay-for-performance incentives.

¹ Available at:

<http://nyshealthfoundation.org/resources-and-reports/resource/reducing-hospital-readmissions-in-new-york-state-simulation-analysis>

- Direct payments to hospitals for evidence-based discharge processes and post-discharge support would get better results—reducing readmissions and increasing cost savings—than payment incentives.
- Any effective strategy will require hospitals and payers to agree upon an approach so that individual hospitals are not faced with different incentives from different payers.

The report received press coverage in various media, including *The Business Review*, *Albany Times Union*, and *FierceHealthcare*. Mathematica presented the research findings at a conference of the Association for Public Policy Analysis & Management in Washington, D.C.

Mathematica's primary analysis relied on New York State hospital discharge data from the SPARCS database. The project faced significant delays in getting the requested data files from the State. Mathematica did not receive initial data until a year after the project's start. In addition, the project initially aimed to present findings of hospital-level data on readmission rates and other factors; however, the SPARCS data-use agreements utilized for the study prohibited the public reporting of specific hospital providers.

The Future:

This report comes at a critical moment, as the State and Federal governments are seeking new ways to contain hospital readmissions to reduce overall health care spending:

- The Federal government, through its Partnership for Patients initiative, aims to reduce readmissions by 20% by 2014. As part of this initiative, starting in 2012, the Federal government is providing \$500 million in funding through its Community Based Care Transitions Program (CCTP). Authorized by the Federal health reform's Affordable Care Act (ACA), CCTP will support community-based efforts to reduce hospital readmissions for high-risk Medicare patients through improved transitions



from a hospital setting. Mathematica is providing implementation and monitoring support for the program's participating sites.

- Following changes in Medicare reimbursement for specific preventable hospital-acquired conditions, and authorized by the ACA, in October 2012 the Federal government will begin to penalize hospitals for an excess of avoidable readmissions of Medicare patients. In July 2012, the Centers for Medicare & Medicaid Services will also begin limiting Medicaid reimbursement for certain preventable hospital-acquired conditions. These Federal actions reflect an earlier decision by New York State to stop paying for "never events."
- New York State has also led efforts to reduce preventable readmissions. New York's Medicaid program already limits Medicaid reimbursement for certain avoidable hospital-acquired conditions. Through a 2011 Federal grant, New York has \$20 million for its Potentially Preventable Readmissions project to provide grants to hospitals and other providers to adopt initiatives that reduce preventable readmissions.

NYSHealth continues to support work on this issue, shifting its focus to efforts that test care management improvements to reduce readmissions. NYSHealth is supporting a Care Transitions project among three unaffiliated Bronx hospital systems with overlapping patient populations. The project includes reimbursement support from two insurers to pay for comprehensive care management of patients, including post-discharge home visits. It also employs shared data capture, information exchange among the partners, and a predictive screening tool to identify patients at high risk for readmission at the time of hospital admission, rather than at discharge.

BACKGROUND INFORMATION:

ABOUT THE GRANTEE

Founded in 1968, Mathematica Policy Research (Mathematica) is nationally recognized for its innovative, high-quality evaluation designs, policy assessments, and simulations for clients in Federal and State government, academia, and private foundations. Mathematica has considerable experience with highly technical, data-driven research projects on managed care, long-term care, and coordinated patient care, which will be an asset to this project.

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