Medicare Readmission Reduction and Hospital Acquired Condition Programs Overview

Insights for Healthcare®

Michigan Health and Hospital Association

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Lauren Alvarenga, MPH, CPH, Director

Sonam Sherpa, Senior Healthcare Data and Policy Analyst

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Today's Objectives

- Overview of Medicare Readmission Reduction and Hospital Acquired Condition Programs
- Review Methodologies
- Review Michigan's performance in the two programs
- Review RRP and HAC Analyses

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Medicare Quality Based Payment Reform (QBPR) Programs

- Mandated by the ACA of 2010
  - VBP Program (redistributive w/ winners and losers)
  - Readmissions Reduction Program (remain whole or lose)
  - HAC Reduction Program (remain whole or lose)
- National pay-for-performance programs
- Most acute care hospitals must participate; CAHs excluded
- Program rules, measures, and methodologies adopted well in advance (through 2030)

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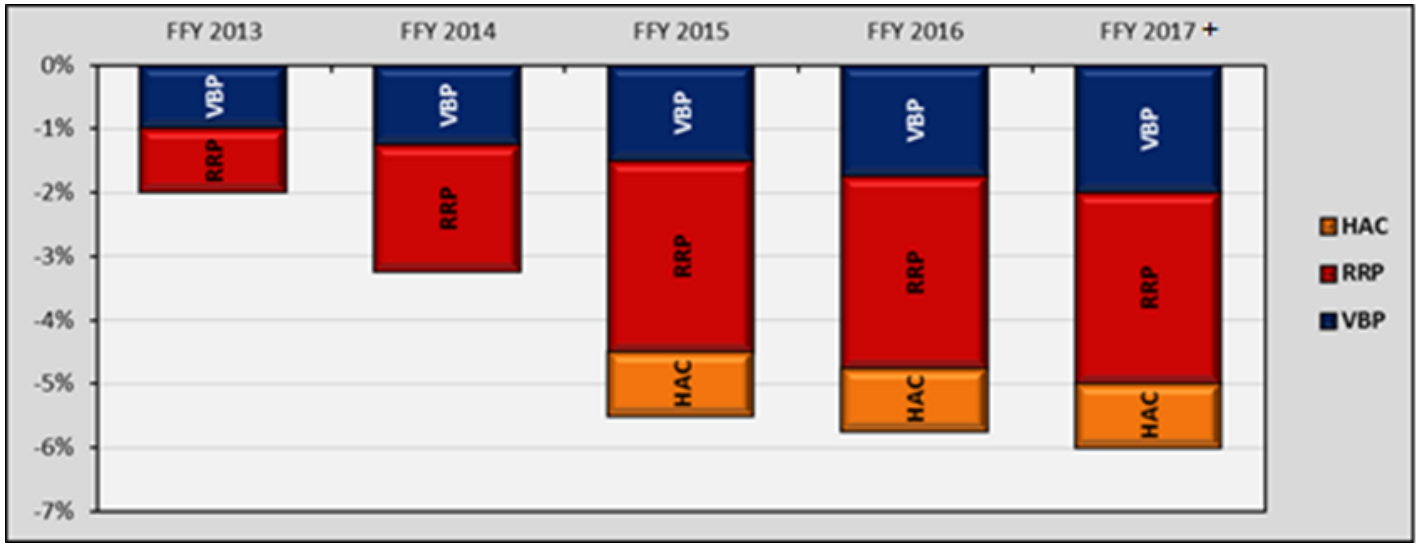
Medicare Quality Programs

- Payment adjustments based on facility-specific performance compared to national standards
- Performance metrics are determined using historical data
- Program components change every year



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FFY 2026 Quality Program Measure Populations

- **Value-Based Purchasing (VBP)**
  - All patients
    - Safety, Person and Community Engagement
  - Medicare FFS patients only
    - Clinical Outcomes, Efficiency and Cost Reduction
- **Readmissions Reduction Program (RRP)**
  - Medicare FFS patients only
- **Hospital Acquired Conditions (HAC)**
  - All patients
    - CAUTI, CLABSI, C-diff., MRSA, SSI Colon, SSI Abdominal Hysterectomy
  - Medicare FFS patients only
    - PSI-90

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Medicare Readmission Reduction Program (RRP)

- Program became effective FFY 2013 (October 1, 2012)
- Penalizes hospitals for exceeding expected readmission rates
  - Expected rates based on national quintile performance levels
- Program expands over time with addition of new conditions
- Penalty capped at 3% for 2015 and thereafter
  - 1% in FFY 2013;
  - 2% in FFY 2014;
  - 3% in FFY 2015+
- Measures are established in advance through the IPPS rule

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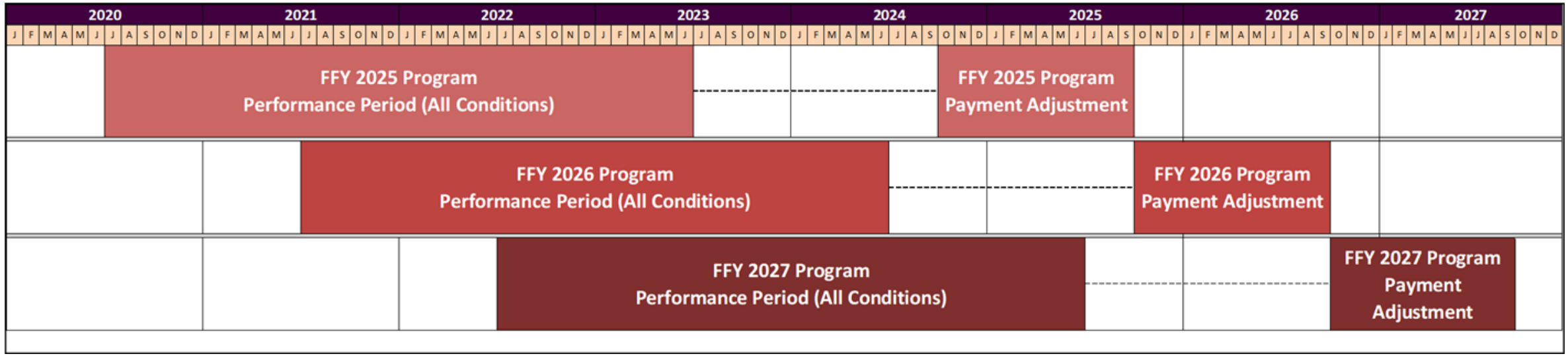
RRP Program Timeframes



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RRP Methodology

- Excess readmission ratios are calculated for multiple condition areas

Measure	FFY 2013 Program	FFY 2014 Program	FFY 2015 Program	FFY 2016 Program	FFY 2017+ Program
AMI	X	X	X	X	X
HF	X	X	X	X	X
PN	X	X	X	X	X*
COPD			X	X	X
THA/TKA			X	X	X
CABG					X

*expanded to include aspiration PN and sepsis with a secondary diagnosis of PN

  - Improvement is not recognized
  - Certain planned readmissions are not counted
  - No offsets between categories
  - PN was not included in FFY 2023 due to COVID-19
  - Socio-Demographic Status (SDS) adjustment based on percent of full-benefit dual eligible patients

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RRP Methodology – FFY 2025 SDS Adjustment

- Groups based on ratio of full-benefit dual eligible patients relative to total Medicare patients:

$$\frac{\#\ \text{Full-benefit Dual Status}}{\#\ \text{Medicare Patients}}$$

- An individual is counted as a full-benefit dual patient if the patient was identified as such for the month they were discharged from the hospital
  - identified using the State Medicare Modernization Act (MMA) file of dual eligibility
- Data period for identifying patients is the same 3-year period as the performance period
  - i.e. July 1, 2021 – June 30, 2024 for FFY 2026
- Total number of Medicare patients is all Medicare FFS and Medicare Advantage stays using MedPAR files
- Hospitals are grouped into national quintiles based on full-benefit dual eligible ratio and compared to hospitals within their quintile

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RRP Methodology

- Step 1: Place hospital into quintile

$$\frac{\#\ \text{Full–benefit Dual Status Patients}}{\#\ \text{Medicare Patients}} = \textbf{Full – benefit Dual Eligible Ratio}$$

$$\frac{14{,}322}{29{,}453} = \textbf{Full – benefit Dual Eligible Ratio}$$

$$48.6\% = \textbf{Full – benefit Dual Eligible Ratio}$$

Ratio of 48.6% puts this hospital in quintile 3

- Quintile placement on a national level
- Placement will change from year to year based on data period used and ratios of other hospitals
- Quintile 5 is highest, meaning the higher full-benefit dual eligible ratios
- Quintile 1 is lowest, meaning the lowest full-benefit dual eligible ratios
- Hospitals in higher quintiles tend to have less stringent benchmarks
- Hospitals in lower quintiles tend to have more stringent benchmarks

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RRP Methodology (con't)

- Step 2: Calculate excess readmission ratios for each condition
  (subject to minimum case counts requirements)

$$\frac{\text{Predicted AMI Readmission Rate}}{\text{Expected AMI Readmission Rate}} = \textbf{AMI Excess Ratio}$$

$$\frac{20.300\ \%}{19.459\ \%} = \textbf{AMI Excess Ratio}$$

$$\mathbf{1.0432} = \textbf{AMI Excess Ratio}$$

- Predicted readmissions = number of unplanned readmissions predicted for a hospital based on hospital's performance
- Expected readmission = expected U.S. readmission rate for each hospital's patient mix
- Ratio less than quintile median excess ratio
  - Lower than expected readmission rate
  - Better quality
- Ratio greater than quintile median excess ratio
  - Higher than expected readmission rate
  - Lower quality
  - Penalty applies

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RRP Methodology (con't)

- Step 3: Calculate total excess payments for each condition

$$\text{Total Payment for AMI Procedures} \times (\textbf{Median Quintile Excess Ratio} - \textbf{AMI Excess Ratio}) = \textbf{AMI Excess Dollars}$$

Historically, excess ratio was compared to a "1"

$$\$6{,}000{,}000 \times (1.0233 - 1.0432) = \textbf{AMI Excess Dollars}$$

$$\$119{,}400 = \textbf{AMI Excess Dollars}$$

- Step 4: Calculate total excess payments for all conditions

$$\textbf{AMI Excess Payments} + \textbf{HF Excess Payments} + \textbf{PN Excess Payments} + \textbf{COPD Excess Payments} + \textbf{THA TKA Excess Payments} + \textbf{CABG Excess Payments} = \textbf{Total Excess Dollars}$$

$$\$119{,}400 + \$0 + \$0 + \$0 + \$0 + \$0 + \$0 = \textbf{Total Excess Dollars}$$

$$\$119{,}400 = \textbf{Total Excess Dollars}$$

- Excess Ratios are multiplied by revenue in each condition area to find excess readmission revenue by condition
  - Sum of all conditions excess revenue = total excess readmission dollars
  - Revenue = exposure
  - More conditions = More exposure

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RRP Methodology (con't)

- Step 5: Calculate Readmissions Adjustment factor (capped at .97, or 3%, for FFY 2015+)

$$\left[1 - \text{BN Adjuster} \times \frac{\text{Total Excess Dollars}}{\text{3 yr Total Medicare IPPS Operating Revenue}}\right] = \text{Readmissions Adj. Factor}$$

$$\left[1 - 0.99 \text{ X } \frac{\$119,400}{\$50,000,000}\right] = \text{Readmissions Adjustment Factor}$$

$$0.9976 = \text{Readmissions Adjustment Factor}$$

(applied on a per-claim basis)

-0.24% cut

- Total excess readmission revenue is used to calculate adjustment factors.
- The excess revenue is not your impact.
- Payments are adjusted on a per-claim basis to all Medicare FFS cases (not just RRP cases)
- Although the SDS adjustment is budget neutral nationally, there will be winners and losers within each quintile.

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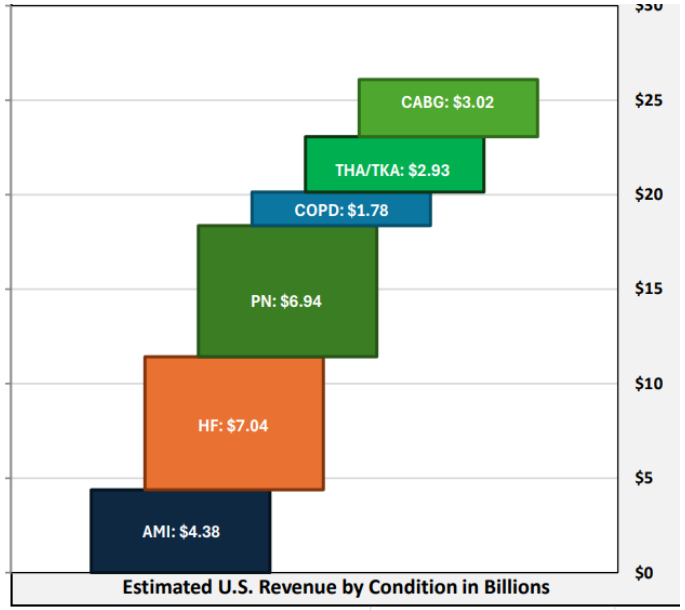
RRP Trends



- Continually evolving
- As measures are added, exposure increases and hospitals are more likely to receive penalties

Adjustment Factor	Percent Cut	2022	2023	2024	2025
No Payment Penalty	0%	18.0%	25.0%	22.4%	21.1%
0.9951 to 0.9999	-0.01% to -0.5%	44.5%	52.9%	54.1%	56.4%
0.9901 to 0.9950	-0.5% to -0.999%	19.7%	14.2%	16.1%	15.6%
0.9851 to 0.9900	-1.0% to -1.499%	9.4%	4.7%	4.8%	4.5%
0.9801 to 0.9850	-1.5% to -1.999%	4.0%	1.4%	1.7%	1.7%
0.9751 to 0.9800	-2.0% to -2.499%	2.2%	0.7%	0.5%	0.3%
0.9701 to 0.9750	-2.5% to -2.999%	0.9%	0.3%	0.1%	0.1%
0.97	-3.0%	1.3%	0.8%	0.3%	0.4%

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RRP Performance Scorecard

Actual FFY 2024 Performance

Actual Adj. Factor	Actual % Impact	Est. Revenue Subject to Adj.	Est. Impact	Max Penalty (3.0%)
0.9799	-2.01%	$31,622,200	($635,600)	($948,700)

National Budget Neutrality Modifier	% Full-Benefit Dual Eligible	National Quintile	SDS Impact (Breakout)
0.9631	31.43%	4	$20,000

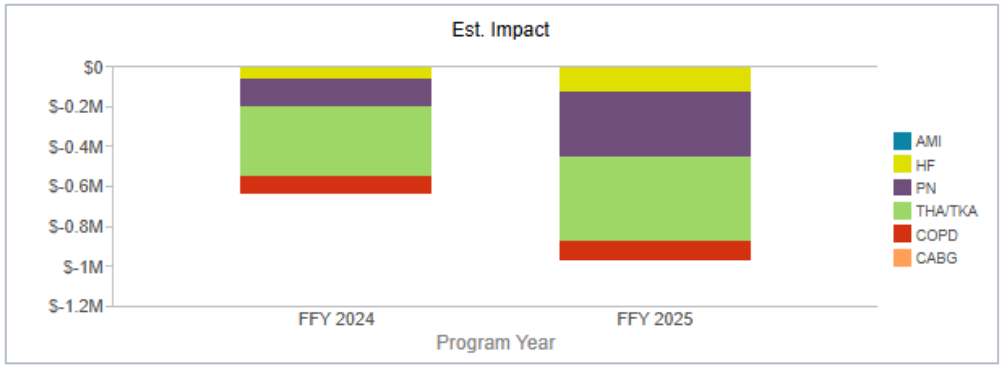
Actual FFY 2025 Performance

Actual Adj. Factor	Actual % Impact	Est. Revenue Subject to Adj.	Est. Impact	Max Penalty (3.0%)
0.9700	-3.00%	$32,238,400	($967,200)	($967,200)

National Budget Neutrality Modifier	% Full-Benefit Dual Eligible	National Quintile	SDS Impact (Breakout)
0.9652	31.36%	4	$0

Condition Chart:

- [ ] Condition Revenue
- [x] Est. Impact



Actual FFY 2024 Performance

Condition	Condition Revenue	Est. Impact	Percent Impact
AMI	$122,300	$0	0.00%
HF	$3,320,700	($54,900)	8.63%
PN	$6,387,400	($143,000)	22.50%
THA/TKA	$3,969,800	($351,100)	55.24%
COPD	$2,097,800	($86,600)	13.63%
CABG	$0	$0	0.00%

Actual FFY 2025 Performance

Condition	Condition Revenue	Est. Impact	Percent Impact
AMI	$114,100	$0	0.00%
HF	$3,633,200	($122,400)	12.65%
PN	$6,752,800	($328,400)	33.95%
THA/TKA	$3,547,600	($423,000)	43.73%
COPD	$2,225,600	($93,400)	9.66%
CABG	.	.	0.00%

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RRP Performance Scorecard (con't)

Condition:

- [ ] AMI
- [ ] CABG
- [ ] COPD
- [ ] HF
- [ ] PN
- [x] THA/TKA

Actual Performance: THA/TKA		
FFY Program	**2024**	**2025**
Eligible Discharges	233	253
DRG Ratio [A]	0.0422	0.0373
Excess Ratio [B]	1.2645	1.4138
Quintile Median [C]	0.9916	0.9901
Excess % [D = C - B]	0.2729	0.4237
Excess Amt. [E = A x D]	0.0115	0.0158
Total Excess Amt. [F = Sum(E)]	0.0208	0.0361
Excess % of Total [G = E/F]	55.24%	43.73%
Total Est. Impact [H]	($635,600)	($967,200)
Est. Impact by Condition [G x H]	($351,100)	($423,000)

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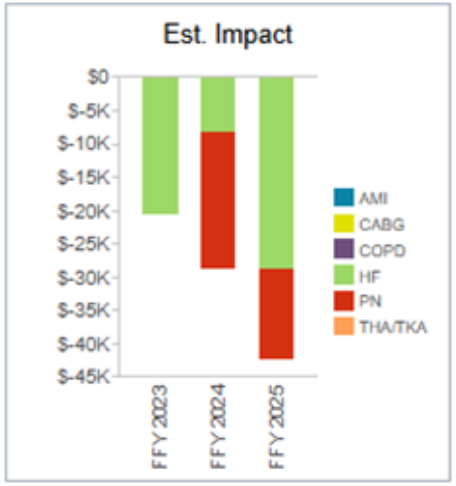
Readmissions Reduction Program: Hospital Case Study



	2023		2024			2025		
	Excess Ratio	Median Excess Ratio	Excess Ratio		Median Excess Ratio	Excess Ratio		Median Excess Ratio
AMI	-	0.9967	-	-	0.9968	-	-	0.9958
HF	1.0677	0.9935	1.0280	▼	0.9947	1.1174	▲	0.9955
PN	-	-	1.0507	-	0.9917	1.0278	▼	0.9912
THA/TKA	-	0.9963	-	-	0.9916	-	-	0.9970
COPD	0.9431	0.9955	0.9442	▲	0.9932	0.9788	▲	0.9924
CABG	-	0.9950	-	-	0.9952	-	-	0.9943

Quintile Assignment	3	3	3
Final RRP Adjustment Factor	0.9965	0.9952	0.9931
Estimated Annual Impact	($20,600)	($28,800) ▼	($42,200) ▼

- Hospital has a larger negative impact in FFY 2024 than in FFY 2023 due to the PN measure being added back into the program in FFY 2024 and the hospital performing poorly on this measure
- Additional measures = more exposure for hospitals and potential for excess readmissions which leads to larger penalties
- Excess ratios increased year to year for COPD from 2023 -2025 but still less than the median excess ratio (benchmark)

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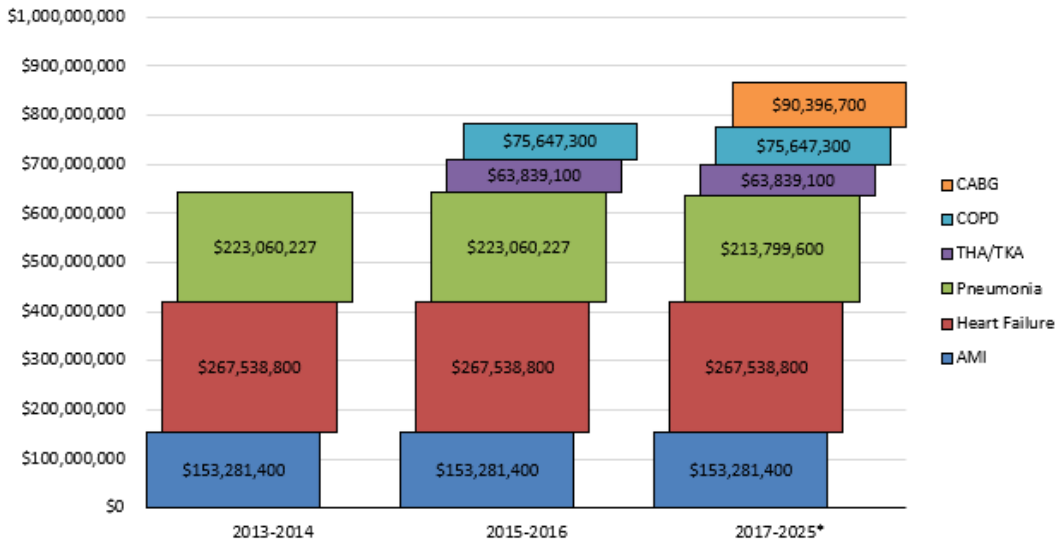
MI's RRP Revenue by Condition



Condition/Procedure	2013-2014	2015-2016	2017-2025*
AMI	$153,281,400	$153,281,400	$153,281,400
Heart Failure	$267,538,800	$267,538,800	$267,538,800
Pneumonia	$223,060,227	$223,060,227	$213,799,600
THA/TKA	N/A	$63,839,100	$63,839,100
COPD	N/A	$75,647,300	$75,647,300
CABG	N/A	N/A	$90,396,700
Total Program Exposure	**$643,880,427**	**$783,366,827**	**$864,502,900**
Increase in Exposure		**21.7%**	**10.4%**

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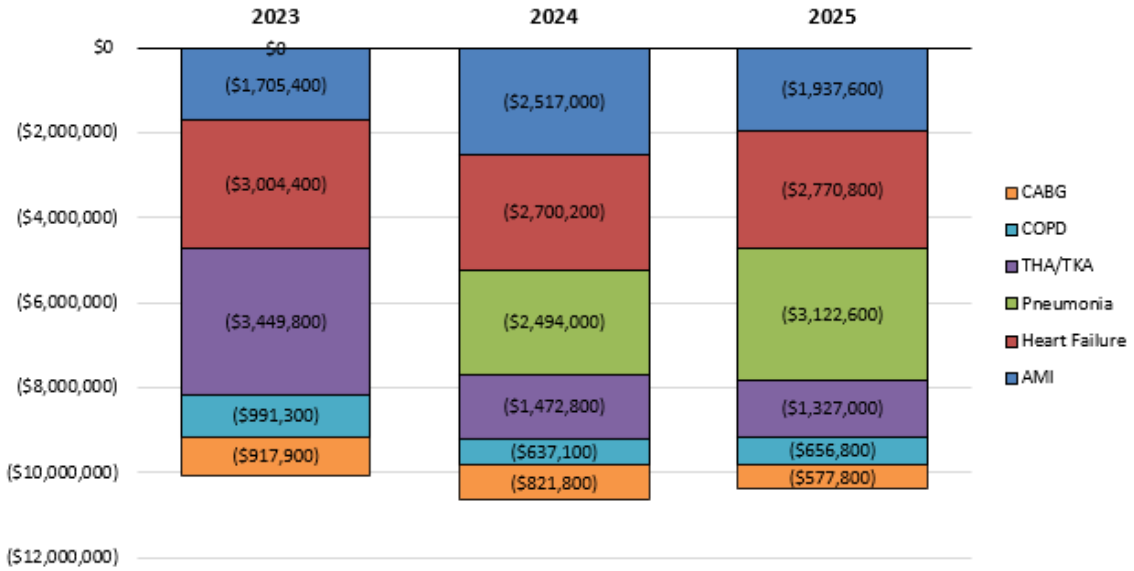
MI's RRP Impact by Condition



Condition/Procedure	2023	2024	2025
AMI	($1,705,400)	($2,517,000)	($1,937,600)
Heart Failure	($3,004,400)	($2,700,200)	($2,770,800)
Pneumonia	$0	($2,494,000)	($3,122,600)
THA/TKA	($3,449,800)	($1,472,800)	($1,327,000)
COPD	($991,300)	($637,100)	($656,800)
CABG	($917,900)	($821,800)	($577,800)
Total Impact	**($10,068,800)**	**($10,642,900)**	**($10,392,600)**

Eligible providers and their characteristics are based on the FFY 2025 IPPS Final Rule Correction Notice.

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MI's Readmission Rate Trends

		State Rates			
		2Q 2021 July 1, 2017 - Dec 1, 2019	2Q 2022* July 1, 2018 - July 30, 2021	2Q 2023* July 1, 2019 - July 30, 2022	2Q 2024 July 1, 2020 - July 30, 2023
Readmission Rates	READM_30_AMI: Acute Myocardial Infarction (AMI) 30-Day Readmission Rate	15.5%	14.9% ▼	14.2% ▼	13.6% ▼
	READM_30_HF: Heart Failure (HF) 30-Day Readmission Rate	22.0%	21.3% ▼	20.3% ▼	20.0% ▼
	READM_30_PN: Pneumonia (PN) 30-Day Readmission Rate	16.7%	17.3% ▲	17.2% ▼	16.9% ▼
	READM_30_HIP_KNEE: Elective Total Hip/Knee Surgery (THA/TKA) 30-Day Readmission Rate	4.1%	4.1% ▼	4.2% ▲	4.5% ▲
	READM_30_COPD: Chronic Obstructive Pulmonary Disease (COPD) 30-Day Readmission Rate	20.0%	20.1% ▲	19.3% ▼	18.7% ▼
	READM_30_CABG: Coronary Artery Bypass Graft (CABG) 30-Day Readmission Rate	11.9%	11.5% ▼	10.8% ▼	10.5% ▼

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MI's Readmission Rank Trends

		State Rank			
		2Q 2021 July 1, 2017 - Dec 1, 2019	2Q 2022* July 1, 2018 - July 30, 2021	2Q 2023* July 1, 2019 - July 30, 2022	2Q 2024 July 1, 2020 - July 30, 2023
Readmission Ranks	READM_30_AMI: Acute Myocardial Infarction (AMI) 30-Day Readmission Rate	24 of 51	28 of 51 ▲	41 of 51 ▲	27 of 51 ▼
	READM_30_HF: Heart Failure (HF) 30-Day Readmission Rate	35 of 51	32 of 51 ▼	38 of 51 ▲	40 of 51 ▲
	READM_30_PN: Pneumonia (PN) 30-Day Readmission Rate	26 of 51	34 of 51 ▲	40 of 51 ▲	45 of 51 ▲
	READM_30_HIP_KNEE: Elective Total Hip/Knee Surgery (THA/TKA) 30-Day Readmission Rate	47 of 51	38 of 51 ▼	31 of 51 ▼	35 of 51 ▲
	READM_30_COPD: Chronic Obstructive Pulmonary Disease (COPD) 30-Day Readmission Rate	40 of 51	39 of 51 ▼	30 of 51 ▼	34 of 51 ▲
	READM_30_CABG: Coronary Artery Bypass Graft (CABG) 30-Day Readmission Rate	11 of 51	19 of 51 ▲	21 of 51 ▲	22 of 51 ▲

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Medicare Hospital Acquired Condition (HAC) Reduction Program

- Program started FFY 2015 (October 1, 2014)
- Penalizes hospitals with the highest HAC rates
  - Rates are per 1,000 patients
  - Compared to all other eligible hospitals nationally
- 1% Penalty applied to all hospitals in the worst performing quartile
  - 25% of hospitals will receive a penalty
  - Applied to Total Medicare FFS Inpatient Dollars
- Parameters set in IPPS rulemaking at least one year in advance
- Penalty is in addition to existing HAC DRG demotion policy

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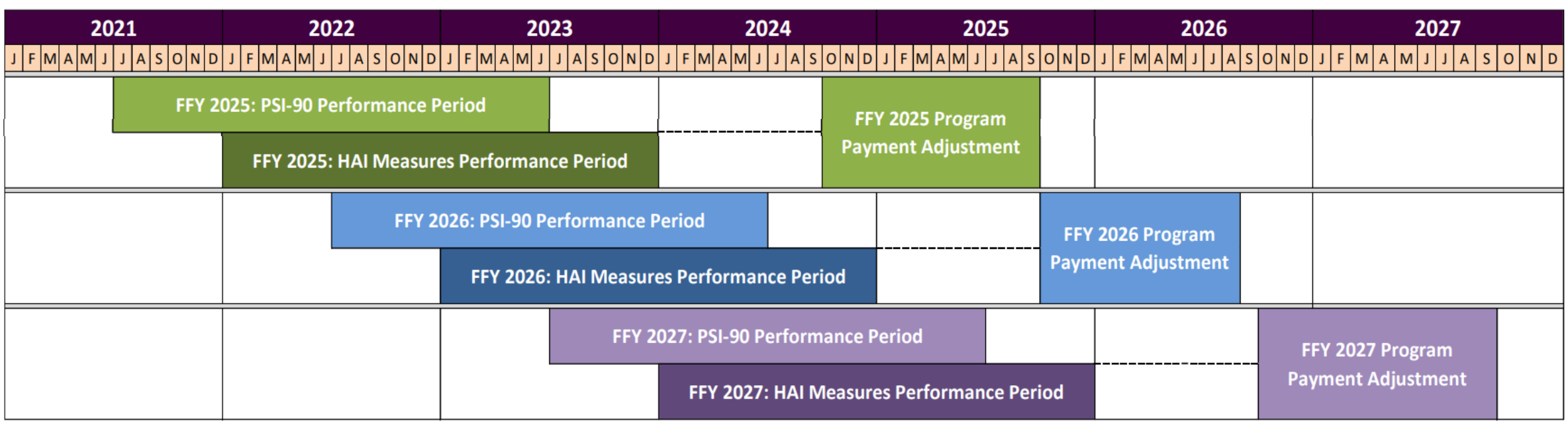
HAC Program Timeframes



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HAC Reduction Program Methodology

- HAC measures:
  - PSI-90 Composite Measure, CAUTI and CLABSI, SSI (colon surgery and abdominal surgery), C-Diff and MRSA
- Separate performance scores are calculated for each HAC measure
  - Z-score
  - Based on national mean and standard deviation for all eligible hospitals
  - Improvement is not recognized
- Average of all eligible measures are calculated to determine a total HAC score
- Total HAC Score determines worst performing quartile of hospitals to receive 1% payment penalty

# of HAI Measures with Scores	Weight applied to:	
	PSI 90	Each HAI
0	100%	N/A
1	50%	50%
2	33.3%	33.3%
3	25%	25%
4	20%	20%
5	16.7%	16.7%
Any number	N/A	100% (equally divided)

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HAC Reduction Program: Z-score Methodology

- HAC program evaluates hospitals based on a **Z-score**
  - Measure ratios are winsorized to remove effects of outliers (top and bottom 5%)
  - Represents a hospital's distance from the national average for a measure, in terms of units of standard deviation
    - A **POSTIVE** z-score is above the average, and reflects **POOR** performance
    - A **NEGATIVE** z-score is below the average, and reflects **GOOD** performance
    - **Lower scores are better**
  - Z-scores are averaged together to determine Total HAC Score

$$\text{Z} - \text{score} = \frac{\text{Hospital's Measure Performance} - \text{Mean Performance for All Hospitals}}{\text{Standard Deviation for All Hospitals}}$$

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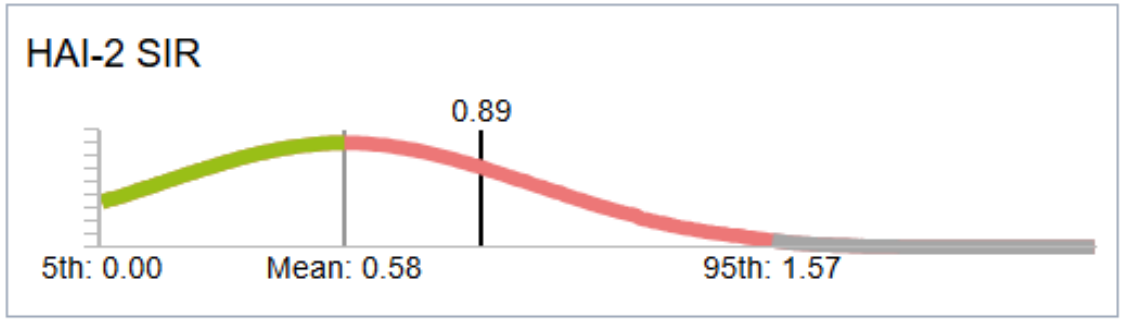
HAC Reduction Program Measure Detail



HAI-2: Catheter Associated Urinary Tract Infection (CAUTI)

Numerator	Denominator	Standardized Infection Ratio (SIR)	Winsorized SIR	Winsorized National Mean	Winsorized National Std. Deviation	CLABSI Z-Score
14.00	15.76	0.8880	0.8880	0.5802	0.4267	0.7214

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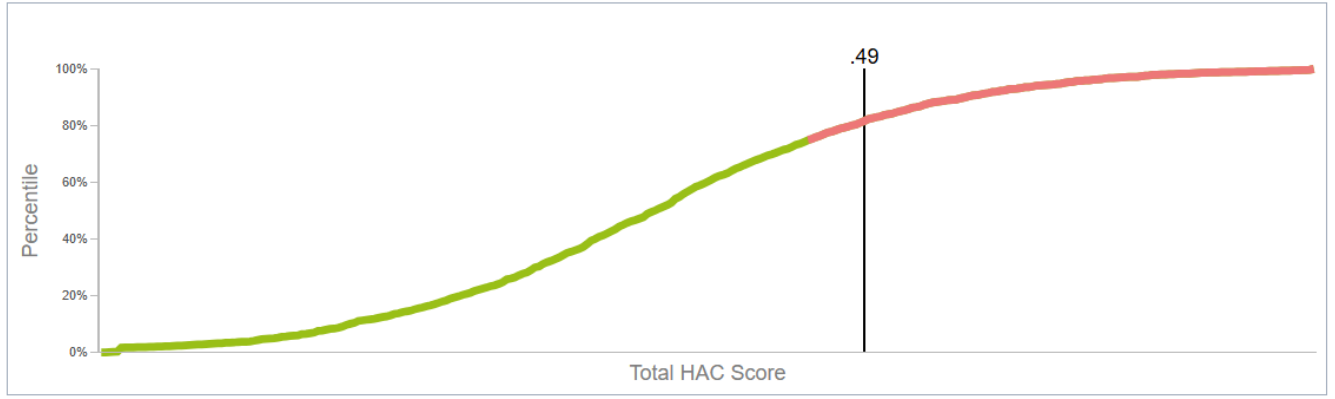
HAC Reduction Program Performance Scorecard



Estimated FFY 2026 Performance

Total HAC Score		75th Cutoff	Payment Penalty?	Est. Annual Impact
0.4946	⇩	0.3492	Yes	($945,700)

Estimated FFY 2026 Performance

Lower is Better

Measure	Base Score	Measure Z-Score	
AHRQ Claims Based			
PSI-90-Safety	1.2100	1.5620	⇩
CDC Chart Abstracted			
HAI-1	0.9420	0.6478	⇩
HAI-2	0.8880	0.7214	⇧
SSI	0.8360	0.0085	⇩
HAI-5	0.9380	0.4245	⇩
HAI-6	0.2990	-0.3963	⇩

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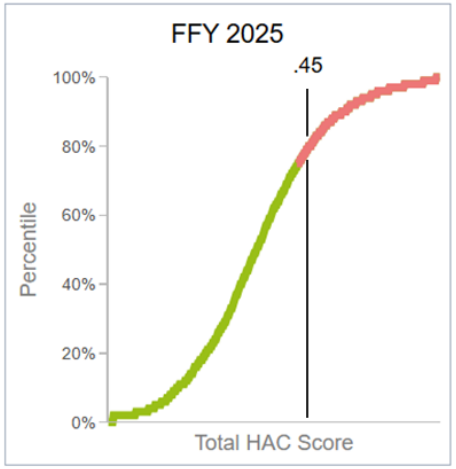
Hospital Acquired Condition: Hospital Case Study



	2024	2025	
PSI-90 Score	-0.6167	-0.162	▲
HAI-1 CLABSI Score	1.9110	1.4412	▼
HAI-2 CAUTI Score	2.3067	2.3371	▲
SSI Colon/Abd. Score	-	-1.454	-
HAI-5 MRSA Score	-1.3973	-1.538	▼
HAI-6 C.Diff Score	1.7643	2.0035	▲
Total HAC Score	0.7936	0.4379	▼
75th Percentile Total HAC Score	0.3751	0.3662	
Receives 1.0% Reduction?	Yes	Yes	

- Hospital improves in 2 measures from 2024 to 2025.
- Hospital is estimated to receive penalty in 2025 even though 2 of the measures improved.
- All other hospitals must have improved more, and this hospital declined in performance on 3 measures.
- A hospital must keep up with other providers to avoid getting a penalty.
- Even if all hospitals improve, 1.0% penalty is always applied to worst performing quartile.

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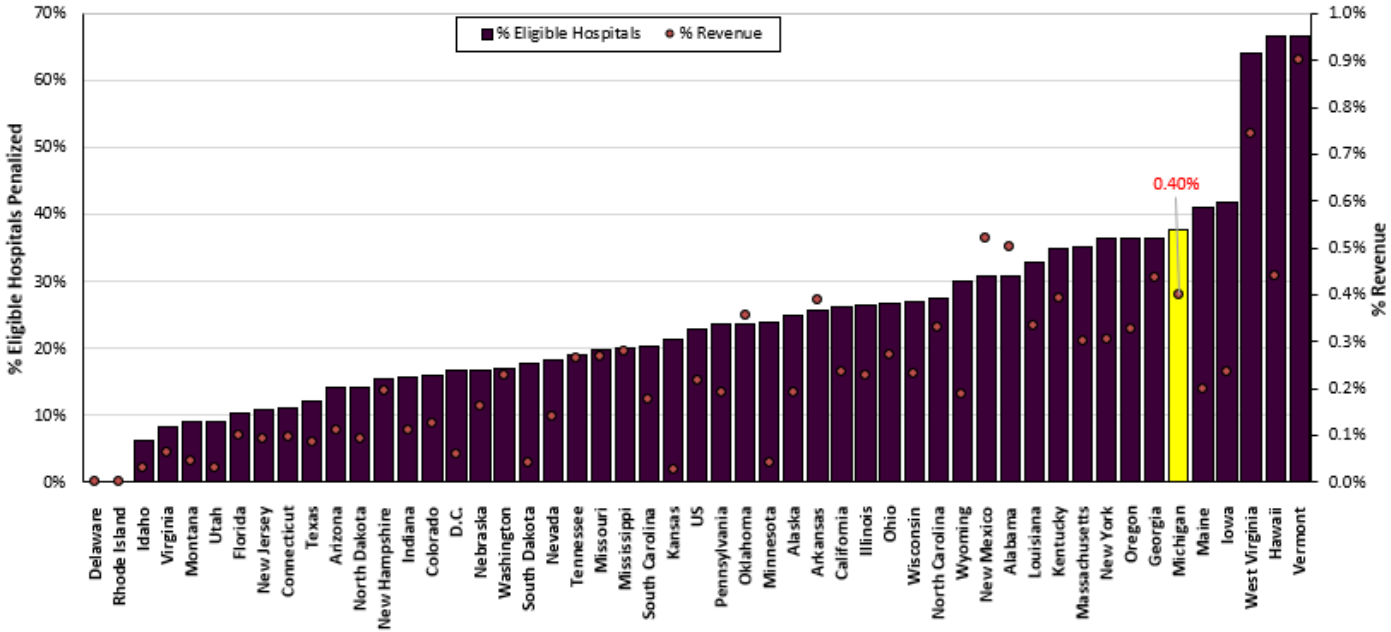
MI's HAC Reduction Program Performance



HAC Reduction Program Performance	FFY 2022	FFY 2024	FFY 2025
Statewide Impact	($8,306,400)	($11,704,200)	($12,532,100)
Number of Penalty Hospitals	30	29	34
Percent of Hospitals Receiving Penalty	33.3%	32.2%	37.8%
Percent of Total Revenue Affected	0.28%	0.39%	0.40%

Eligible providers and their characteristics are based on the FFY 2025 IPPS Final Rule Correction Notice.

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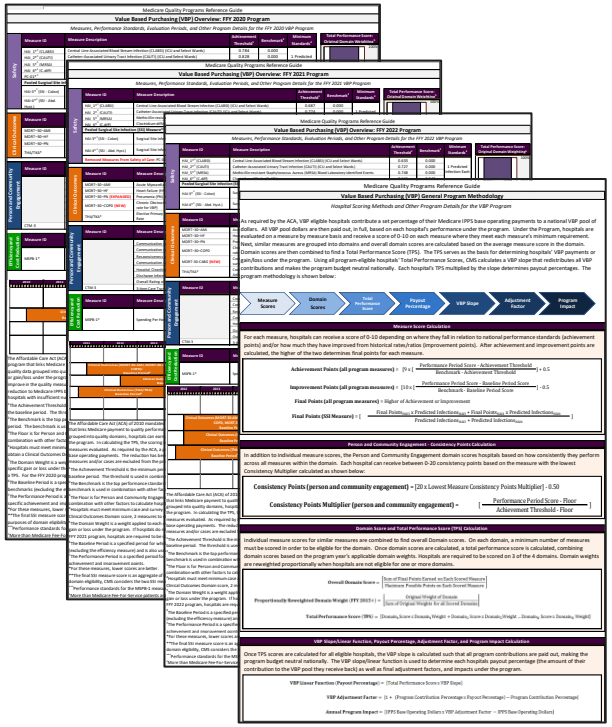
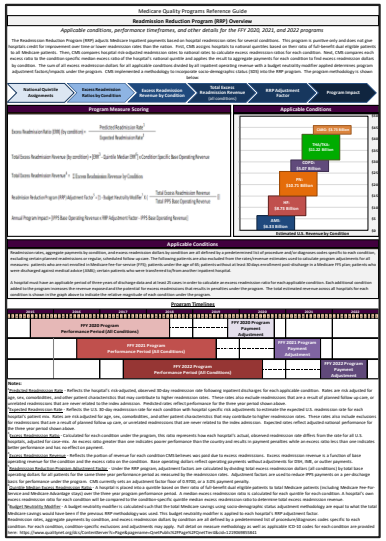
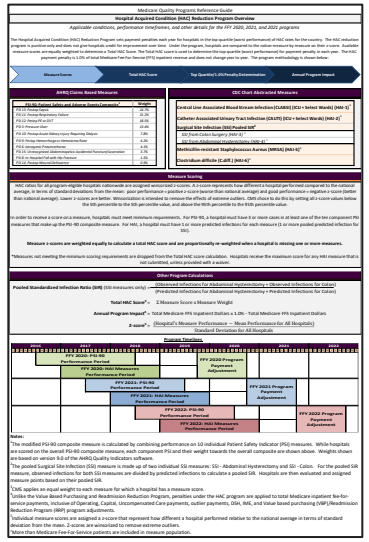
Quality Program Reference Guide







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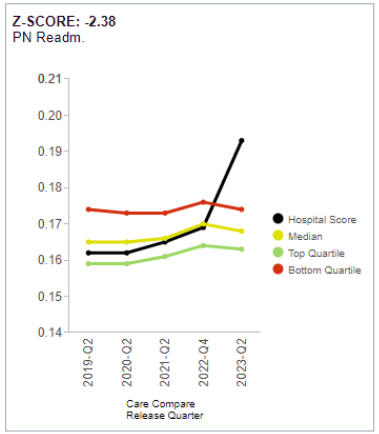
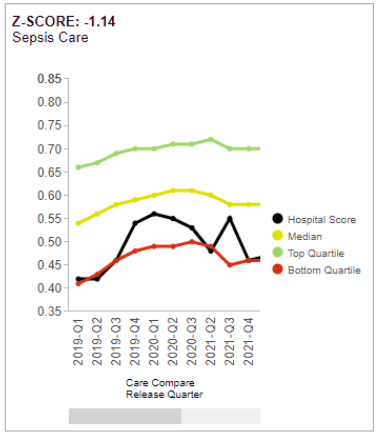
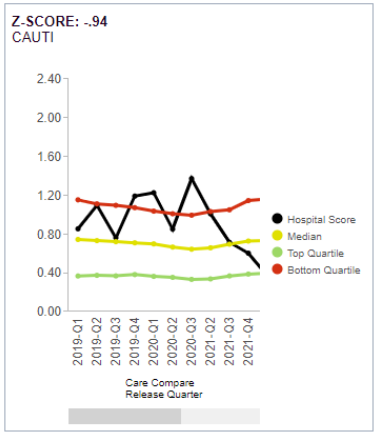
Quality Program Measure Trends

- Chasing a moving target
  - Measures/Domains
  - National Improvement Trends
  - Performance Standards
  - Z-scores







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Hospital-Specific One-Pager Report

- 3-year trend for each hospital
- FFYs 2023-2025
- Actual performance on all 3 programs: VBP, RRP, HAC

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Other Quality Data Sources

- Care Compare
- Quality Net
- Other

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Key Reminders for Hospitals

- Payments are at stake
- Historical data will continue to drive these programs
- Program targets move with national performance, so hospitals must keep pace with the pack
- Complexity of program measures
- Overlap with other quality based payment reform programs
  - VBP & HAC: CAUTI, CLABSI, Surgical Site Infection (SSI), MRSA and C-Diff Measures
  - VBP & RRP: THA/TKA, AMI, HF, PN, CABG, and COPD
- HACs will have a worst performing 25%

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Thank you.

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