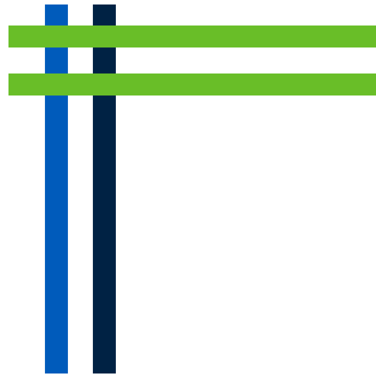

Maryland Readmissions Policy

Maryland Hospital Association

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Key Objectives

1. Types and Causes of Readmissions

2. Overview of Readmission Bundling Proposal

3. Overview of Financial Impact of Readmissions Bundling Proposal

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Definitions

- Readmission
  - Patient is admitted to the hospital within a specified period of time after having been discharged.
    - 15-day window
    - 30-day window
  - Reason for readmission
    - All causes (120,000)
    - Potentially preventable (60,000)

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Definitions

- Readmission to what hospital
  - To the discharging hospital (Intra-hospital)
    - Accounts for 75 percent of all potentially preventable readmissions (PPR)
  - To another hospital in Maryland (inter-hospital)
  - To hospital outside of the state (inter-hospital)

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Causes of Readmissions

Multiple causes (All cause)

- Planned procedure or treatment
- Recurrence/worsening of condition
- Potentially preventable
  - Complications stemming from condition or treatment
  - Social concerns (transportation, food, live alone)
  - Medication management/reconciliation
  - Patient compliance
  - Lack of coordination between hospital and community physicians
  - Fragmented, disorganized community care
  - Inadequate evidence-based chronic care

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Barriers to Reducing PPRs

- Transitional care (labor intensive) requires funding
- Physicians are not paid for care coordination
- Fragmented care, inadequate chronic care
- Medicare and most payors do not pay for care coordination and transitional care--an inherent problem with fee-for-service
  - DRG payments encourage efficiency within a given hospital stay
  - Do not reward efficiency for an entire episode of care
- Patient compliance

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Episode Model

- Expand Charge-Per-Case (CPC) to defined episode
  - Allow the subject hospital to keep the existing revenue base
  - Revenue defined per episode of care, not CPC
    - Hospital is at risk for increases in readmissions
    - Hospital benefits from reductions in readmissions
    - Model provides incentives to invest in care coordination beyond the hospital stay
    - Reductions in intra-hospital readmissions benefit payors:
      - Reduced inter-hospital readmissions
      - Reduced stays not in bundling (e.g. one-day stays)
      - Reduced admissions beyond episode period
      - Reduced ED visits through improved care coordination

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Benefits

- Innovation in payment model toward episode, away from volume
- Supports separate medical home effort
- Care coordination/transitional care improves quality, safety, and effectiveness of care
- Care coordination improves patient experience
- Reduced readmissions/ER visits saves cost
- Capacity freed up to accept newly insured under reform and aging population, avoiding system strain and investments to increase capacity.

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Mature Cost Savings Potential (End of Three Years)

- Several pilot programs have reduced readmissions.
  - Ranges of up to 25 percent reduction in “preventable readmissions”
- Approximate Magnitude:
  - Assume potentially preventable readmissions of 8 percent
  - a 25 percent improvement = 2.0 percent of inpatient revenue
  - 2.0 percent inpatient revenue = 1.4 percent of total revenue
  - If variable cost = 50 percent, cost savings = 0.70 percent before considering incremental care coordination costs

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Additional System Savings--Not Bundled

- Reduced revenue not bundled (85 percent)
  - Reduced ER Visits--0.1 percent total hospital revenue
  - Reduced Inter-hospital Readmissions (20 percent)--0.2 percent total hospital revenue
  - Readmission revenue not bundled (e.g. one-day stays) 0.2 percent
  - Reduced Admissions beyond 30 day window--not quantified
- Reduced capital for bed expansion or replacement, which frees up capital dollars to help support IT investment in electronic health records and other care coordination technology among providers

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Savings Summary

Mature annual savings before incremental cost intervention

	Hospital	Payors
Cost savings to hospital	0.70%	--
- Revenue not bundled	(0.50%)	0.50%
Net hospital impact	0.20%	0.50%

Annual investment in transitional care coordination 0.44 percent

Reduces hospital costs and improves quality of care

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Beyond

- Savings beyond these levels require build-out of medical home and chronic care models, telemedicine
- The process has begun
- This will take time (up to five-ten years)
- This will require intense investments of care coordination, IT, and other resources

Summary

- Bundling readmissions is an important reform opportunity
- It complements the reform initiatives for primary and chronic care
- Both reforms are aimed at improved care delivery with net cost reductions

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