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New Analysis Shows Hospital Readmissions More Than Double Medicare Episode Payments

Better use of home health has potential to reduce rehospitalization rates across all episode types

WASHINGTON, DC – A comprehensive analysis of Medicare claims data demonstrates that Medicare payments more than double when the beneficiary's care includes at least one hospital visit. The Alliance for Home Health Quality and Innovation (the Alliance) today released the fourth and final working paper in its Clinically Appropriate and Cost-Effective Placement (CACEP) research project examining the effects of hospital admissions and readmissions on Medicare expenditures.

Hospital readmissions play a key role in the amount Medicare spends per episode per patient. The CACEP research aims to help policy-makers and the health care community more fully understand how hospital admissions and readmissions across post-acute, pre-acute and non-post acute care episodes affect the Medicare episode payment. These results can provide guidance on the future of the Medicare home health benefit.

"This working paper offers a detailed snapshot of the role of hospital readmissions during all three episode types based on various factors," stated Allen Dobson, Ph.D., CACEP lead researcher and President of Dobson DaVanzo & Associates, LLC. "The data will prove invaluable to lawmakers as they look to revamp the Medicare fee-for-service payment system and eliminate unnecessary spending on avoidable hospitalizations."

In post-acute care episodes, patients whose episode contained at least one readmission cost Medicare twice as much - roughly \$33,000 compared to \$15,000. When the number of chronic conditions per patient increases, so does the average number of readmissions, suggesting that a more complex patient is more likely to be readmitted. Services such as home health may be able to reduce the number of unplanned readmissions for some clinically appropriate patients by caring for them in home health and improving coordination and continuity of care.

While pre-acute care episodes often do not contain an admission prior to the Index stay, there are interesting trends when an episode contains an admission. With regard to chronic conditions, the severity of the primary chronic condition, rather than the number of conditions, plays a more significant role in the impact on Medicare payment for the episode. For example, an episode with a primary chronic condition of diabetes and a prior admission generates a Medicare episode payment nearly three times that of a diabetes episode without a prior admission. This suggests that better management of low-severity chronic conditions (as well as high-severity conditions), which can be provided by home health care, may limit prior admissions for pre-acute episodes or even prevent some hospital admissions and subsequent post-acute care.

As the severity of a chronic condition increases, so does the proportion of episodes with hospital admissions in non-post-acute care episodes. However, when patients with low-severity chronic conditions require a hospital admission, the payment per episode nearly quadruples since the cost of caring for these patients is relatively low without the readmission.

“The data suggest that better management of chronic disease across all three settings through home health intervention could enable more patients to remain out of the hospital following an initial admission. With clinically appropriate and effective care, patients have the potential to avoid some unnecessary admissions altogether, ultimately saving Medicare and taxpayers a significant amount,” observed Teresa Lee, Executive Director for the Alliance. “Home health care combines the right mix of care management, prevention training and close observation to significantly reduce hospital admissions.”

The research was conducted by Dobson DaVanzo & Associates, LLC and rounds out previous research on episode frequency and payments as well as patient pathways by MS-DRGs and chronic conditions. The CACEP project examines claims for a five percent sample of Medicare beneficiaries from 2007 to 2009 and analyzes home health’s potential role in increasing quality and efficiency of care and reducing Medicare spending. The CACEP project will culminate with the release of a final paper in September, analyzing the potential for Medicare savings under a variety of delivery system change scenarios.

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The Alliance for Home Health Quality and Innovation (the Alliance) is comprised of leaders in the home health care community – including several of the largest home health care providers in the United States and the largest national trade association representing home health care providers. The mission of the Alliance is to foster research and education on the value of home health care to patients and the overall U.S. health care system. The Alliance is dedicated to improving the nation’s health care system through development of high quality and innovative solutions aimed at achieving optimal clinical outcomes. To learn more, visit www.ahhqj.org.