Hospitals Face Medicare Fines From Readmitted Patients

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Medicare has started fining hospitals that have too many patients readmitted within 30 days of discharge due to complications. The penalties are part of a broader push under President Barack Obama's healthcare law to improve quality while also trying to save taxpayers money. About two-thirds of the hospitals serving Medicare patients, or some 2,200 facilities, will be hit with penalties averaging around $125,000 per facility this coming year, according to government estimates.

Data to assess the penalties have been collected and crunched, and Medicare has shared the results with individual hospitals. Medicare plans to post details online later in October, and people can look up how their community hospitals performed by using the agency's "Hospital Compare" website. It adds up to a new way of doing business for hospitals, and they have scrambled to prepare for well over a year. They are working on ways to improve communication with rehabilitation centers and doctors who follow patients after they're released, as well as connecting individually with patients.

"There is a lot of activity at the hospital level to straighten out our internal processes," said Nancy Foster, vice president for quality and safety at the American Hospital Association. "We are also spreading our wings a little and reaching outside the hospital, to the extent that we can, to make sure patients are getting the ongoing treatment they need." Still, industry officials say they have misgivings about being held liable for circumstances beyond their control. They also complain that facilities serving low-income people, including many major teaching hospitals, are much more likely to be fined, raising questions of fairness.

"Readmissions are partially within the control of the hospital and partially within the control of others," Foster said. Consumer advocates say Medicare's nudge to hospitals is long overdue and not nearly stiff enough. "It's modest, but it's a start," said Dr. John Santa, director of the Consumer Reports Health Ratings Center.

For the first year, the penalty is capped at one percent of a hospital's Medicare payments. The overwhelming majority of penalized facilities will pay less. Also, for now, hospitals are only being measured on three medical conditions: heart attacks, heart failure and pneumonia. Under the healthcare law, the penalties gradually will rise until three percent of Medicare payments to hospitals are at risk. Medicare is considering holding hospitals accountable on four more measures: joint replacements, stenting, heart bypass and treatment of stroke.

If General Motors and Toyota issue warranties for their vehicles, hospitals should

have some similar obligation when a patient gets a new knee or a stent to relieve a blocked artery, Santa contends. "People go to the hospital to get their problem solved, not to have to come back," he said.

Excessive rates of readmission are only part of the problem of high costs and uneven quality in the U.S. health care system. While some estimates put readmission rates as high as 20 percent, a congressional agency says the level of preventable readmissions is much lower. About 12 percent of Medicare beneficiaries who are hospitalized are later readmitted for a potentially preventable problem, said the Medicare Payment Advisory Commission.

Foster, the hospital association official, said medication mix-ups account for a big share of problems. Many Medicare beneficiaries are coping with multiple chronic conditions, and it's not unusual for their medication lists to be changed in the hospital. But their doctors outside sometimes don't get the word; other times, the patients themselves don't understand there's been a change. Another issue is making sure patients go to their required follow-up appointments.

Medicare deputy administrator Jonathan Blum said he thinks hospitals have gotten the message. "Clearly it's captured their attention," said Blum. "It's galvanized the hospital industry on ways to reduce unnecessary readmissions. It's forced more parts of the healthcare system to work together to ensure that patients have much smoother transitions." MedPAC, the congressional advisory group, has produced research findings that back up the industry's assertion that hospitals serving the poor, including major teaching facilities, are more likely to face penalties. But for now, Blum said Medicare is not inclined to grade on the curve.

"We have really tried to address and study this issue," said Blum. "If you look at the data, there are hospitals that serve a low-income patient mix and do very well on these measures. It seems to us that hospitals that serve low-income people can control readmissions very well." Under Obama's healthcare overhaul, Medicare is pursuing efforts to try to improve quality and lower costs. They include rewarding hospitals for quality results, and encouraging hospitals, nursing homes and medical practice groups to join in "accountable care organizations." Dozens of pilot programs are under way. The jury is still out on the results.

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