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Expert: Readmission Penalties May Be Worth Swallowing for Revenue

By Nina Youngstrom

Hospitals may want to reconsider how hard they work to stave off certain Medicare readmissions because the penalties from the Hospital Readmissions Reduction Program pale compared to the loss of revenue and potential harm to patients who should be back in the hospital, a physician advisor said. That calculation may not apply to Medicare Advantage (MA) and commercial payers, however, which flat-out deny claims for readmissions under some circumstances.

“If you have capacity in your hospital, strictly financially speaking, preventing readmissions is not in your best interest,” said Ronald Hirsch, M.D., vice president of R1 RCM, at a Feb. 4 webinar sponsored by RACmonitor.com.^[1] “We want to make sure every patient gets the right care in the right setting.”

Original (fee-for-service) Medicare has two policies on readmissions: (1) When a patient is discharged from the hospital and readmitted on the same day for symptoms related to the evaluation and management of the condition treated earlier, the two stays must be combined on a single claim; and (2) under the Hospital Readmissions Reduction Program, CMS penalizes hospitals with excess readmissions for six conditions/procedures by reducing their total MS-DRG reimbursement up to 3% based on data from prior years.

The penalties only apply to readmissions within 30 days for six conditions: acute myocardial infarction, chronic obstructive pulmonary disease (COPD), heart failure, pneumonia, coronary artery bypass graft surgery, and elective primary total hip arthroplasty and/or total knee arthroplasty.

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