

**Potentially Preventable Hospital Readmissions**

For discharges occurring on and after July 1, 2010 through March 31, 2012, Medicaid rates of payment to hospitals that have an excess number of readmissions based on the criteria set forth in the Readmission Criteria Section, as determined by a risk adjusted comparison of the actual and expected number of readmissions in a hospital as described by the Methodology Section, shall be reduced in accordance with the Payment Calculation Section. Such rate adjustments shall result in an aggregate reduction in Medicaid payments of \$27.8 million for the period July 1, 2010 through March 31, 2011 and \$37 million for the period April 1, 2011 through March 31, 2012.

**Definitions.** As used in this Section, the following definitions shall apply:

1. Potentially Preventable Readmissions (PPR) shall mean a readmission to a hospital that follows a prior admission from a hospital within 14 days, and that is clinically-related to the prior hospital admission, as defined under the grouping logic software developed and published by 3M Health Information Systems, Inc. (3M), version 26.1.
2. Hospital shall mean a general hospital as defined pursuant to the Hospital Inpatient Reimbursement – Effective December 1, 2009 Section.
3. Expected Potentially Preventable Readmissions are derived using a logistic regression analysis that produces a predicted probability (a number ranging from zero to one) that a hospital admission would be followed by at least one PPR. The total number of expected PPRs shall equal the sum of the expected probabilities of a PPR for all admissions at each hospital.
4. Observed Rate of Readmission shall mean the number of admissions in each hospital that were actually followed by at least one PPR divided by the total number of admissions.
5. Expected Rate of Readmission shall mean a risk adjusted rate for each hospital that accounts for the severity of illness, APR-DRG, and age of patients at the time of discharge preceding the readmission. It shall equal the number of expected PPRs divided by the total number of at risk hospital admissions at that hospital.
6. Excess Rate of Readmission shall mean the difference between the observed rate of readmission and the expected rate of readmission for each hospital.
7. Behavioral Health shall mean an admission that includes a primary or secondary diagnosis of a major mental health related condition

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8. Average Hospital Specific Payment shall equal the Medicaid operating payment, using the applicable Medicaid rates for such period, of the total number of PPRs identified for each hospital divided by the total number of PPRs identified for each hospital.

**Readmission Criteria.**

1. A readmission is a return hospitalization following a prior discharge that meets all of the following criteria:
- a. The readmission could reasonably have been prevented by the provision of appropriate care consistent with accepted standards in the prior discharge or during the post discharge follow-up period.
  - b. The readmission is for a condition or procedure related to the care during the prior discharge or the care during the period immediately following the prior discharge and including, but not limited to:
    - i. the same or closely related condition or procedure as the prior discharge;
    - ii. an infection or other complication of care;
    - iii. a condition or procedure indicative of a failed surgical intervention; or
    - iv. an acute decompensation of a coexisting chronic disease.
  - c. The readmission is back to the same or to any other hospital.
2. Readmissions, for the purposes of determining PPRs, excludes the following circumstances:
- a. The original discharge was a patient initiated discharge and was Against Medical Advice (AMA) and the circumstances of such discharge and readmission are documented in the patient's medical record.
  - b. The original discharge was for the purpose of securing treatment of a major or metastatic malignancy, multiple trauma, burns, neonatal and obstetrical admissions.
  - c. The readmission was a planned readmission that occurred on or after 15 days following an initial admission.
  - d. For readmissions occurring during the period up through March 31, 2012, the readmissions involve a discharge determined to be behavioral health related.

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**Methodology.**

1. Rate adjustments for each hospital shall be calculated using 2007 Medicaid paid claims data for discharges that occurred between January 1, 2007 and December 31, 2007.
2. The expected rate of readmission shall be reduced by:
  - (a) 24% for periods prior to September 30, 2010;
  - (b) 38.5% for the period October 1, 2010 through December 31, 2010;
  - (c) 33.3% for periods on and after January 1, 2011.
3. The excess rate of readmission is multiplied by the total number of at risk hospital admissions at each hospital to determine the total number of risk adjusted excess readmissions.
4. In the event the observed rate of readmission for a hospital is lower than the expected rate of readmission, after the expected rate of readmission has been reduced by the applicable percentage in accordance with this section, the risk adjusted excess readmissions shall be set at zero.

**Payment Calculation.**

1. An average hospital specific payment will be used to compute the total Medicaid operating payments, excluding behavioral health, associated with the risk adjusted excess readmissions in each hospital.
2. The Medicaid case payment rate for the applicable rate period shall be used to compute the total Medicaid operating payments for all non-behavioral health Medicaid discharges in each hospital.
3. For each hospital, a hospital specific readmission adjustment factor shall be computed as the ratio of the hospital's total Medicaid operating payments for the applicable rate period associated with the risk adjusted excess readmissions identified in the Methodology Section and the hospital's total Medicaid operating payments for the same rate period for all non-behavioral health Medicaid discharges in each hospital as determined pursuant to this Section.

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4. Non-behavioral health related Medicaid operating payments to hospitals shall be reduced by applying the hospital specific readmission adjustment factor from this Section to the applicable case payment or per-diem payment amount for all non-behavioral health related Medicaid discharges for each hospital.

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