



Overview of the FY 2025 Hospital-Acquired Condition (HAC) Reduction Program and Hospital Readmissions Reduction Program (HRRP)

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Acronyms

CAUTI	Catheter-associated urinary tract infection
CDC	Centers for Disease Control and Prevention
CDI	<i>Clostridium difficile</i> infection
CLABSI	Central line-associated bloodstream infection
CMS	Centers for Medicare & Medicaid Services
CMS PSI 90	CMS Patient Safety and Adverse Events Composite
CY	Calendar year
FY	Fiscal year
HAC	Hospital-acquired condition
HAI	Healthcare-associated infection
HARP	HCQIS Access Roles and Profile
HQR	Hospital Quality Reporting
HSR	Hospital-Specific Report
HUG	HSR User Guide
HVBP	Hospital Inpatient Value-Based Purchasing
IPPS	Inpatient Prospective Payment System
MRSA	Methicillin-resistant <i>Staphylococcus aureus</i> bacteremia
NHSN	National Healthcare Safety Network
Q	Quarter
SIR	Standardized infection ratio
SSI	Surgical site infection

Purpose

This event will provide an overview of the fiscal year (FY) 2025 HAC Reduction Program and HRRP, including:

- Program updates
- Methodology
- Hospital-Specific Reports (HSRs)
- Review and Correction period

Objectives

Participants will be able to:

- Interpret the program methodology
- Understand your hospital's program results in your HSR
- Know how to submit questions about your hospital's calculations during the HAC Reduction Program Scoring Calculations Review and Correction period and the HRRP Review and Correction period

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HAC Reduction Program Manager

DPS Contractor

HAC Reduction Program

Program Background

What is the HAC Reduction Program?

- A Medicare value-based purchasing program that reduces payments to hospitals based on their performance on measures of hospital-acquired conditions
- The program encourages hospitals to implement best practices to reduce their rates of hospital-acquired conditions and improve patients' safety

Program Background

How does the HAC Reduction Program work?

- CMS evaluates overall hospital performance by calculating Total HAC Scores as the equally weighted average of scores across the six measures included in the program
- Hospitals with a Total HAC Score greater than the 75th percentile (that is, the worst-performing quartile) of all Total HAC Scores will be subject to a 1-percent payment reduction

Eligible Hospitals

The HAC Reduction Program includes all subsection (d) hospitals

- Subsection (d) hospitals are broadly defined as general acute care hospitals paid under the Inpatient Prospective Payment System (IPPS)
- Maryland hospitals are exempt from payment reductions under the HAC Reduction Program due to an agreement between CMS and Maryland

Program Measures

Measure	Effective program year measure added
CMS PSI 90 (Patient Safety and Adverse Events Composite)	
CLABSI (Central Line-Associated Bloodstream Infection)	FY 2015
CAUTI (Catheter-Associated Urinary Tract Infection)	
SSI (Colon and Abdominal Hysterectomy Surgical Site Infection)	FY 2016
MRSA (Methicillin-resistant <i>Staphylococcus aureus</i>) bacteremia	FY 2017
CDI (<i>Clostridium difficile</i> Infection)	

CMS adopted the modified version of the CMS PSI 90 measure in the FY 2018 HAC Reduction Program. CMS paused use of all HAC Reduction Program measures in the FY 2023 program year.

FY 2025 Program Information

Updates for FY 2025

For the FY 2025 HAC Reduction Program, CMS:

- Used version 14.0 PSI software to calculate CMS PSI 90
- Updated the performance period for CMS PSI 90 to include patient discharges from July 1, 2022, through June 30, 2023
- Updated the performance period for the CDC's NHSN HAI measures to include patient discharges from January 1, 2022, through December 31, 2023

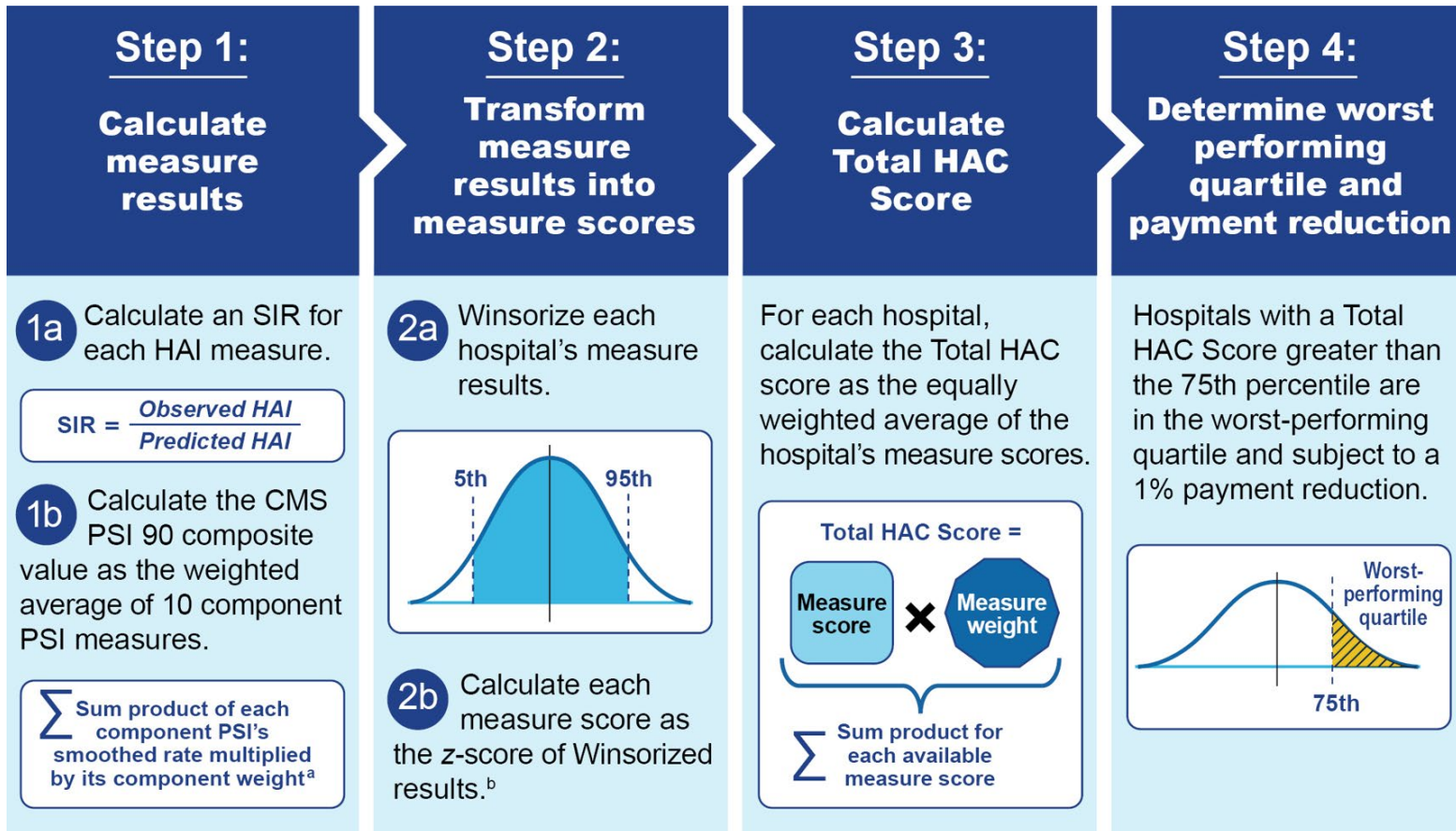
Updates for FY 2025 (Continued)

For the FY 2025 HAC Reduction Program, CMS:

- Adopted a validation reconsideration policy to allow hospitals that fail to meet the validation requirement to request a reconsideration of this validation decision
- Made non-substantive changes to the CMS PSI 90 component measure CMS PSI 08 – In-Hospital Fall-Associated Fracture Rate to include all hospital fall-associated fractures, rather than only hospital fall-associated hip fractures

Scoring Methodology

Scoring Methodology



^a The PSI component weight is the product of the component PSI measure's harm weight and volume weight and is assigned to each individual component PSI measure in calculating hospitals' CMS PSI 90 composite value.

^b A Winsorized z-score is equal to the difference between a hospital's Winsorized measure result and the mean of Winsorized measure results calculated across all subsection (d) hospitals, divided by the standard deviation of Winsorized measure results calculated across all subsection (d) hospitals. Negative Winsorized z-scores indicate better performance. Positive Winsorized z-scores indicate worse performance.

Step 1: Calculate Measure Results

A hospital's measure result is the base value used to calculate performance for the program:

- For the **CMS PSI 90 measure** the measure result is the CMS PSI 90 composite value
- For the **CDC's NHSN HAI measures** the measure result is the standardized infection ratio (SIR), calculated by CDC

Step 2: Transform measure results into measure scores

For each measure, CMS calculates a hospital's measure score as the Winsorized z-score of the measure result. This involves two steps:

1. Winsorizing measure results
2. Calculating z-scores based on the Winsorized measure results

Step 2: Transform measure results into measure scores

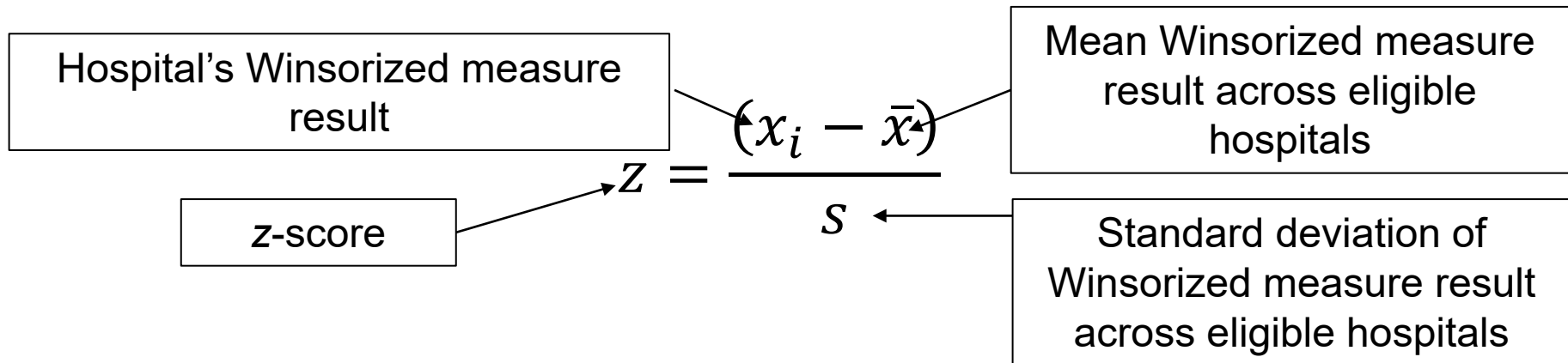
Winsorization is a process that reduces the impact of extreme or outlying measure results but preserves hospitals' relative results

Hospital's measure result	Winsorized measure result
Less than the 5 th percentile	Equal to the 5 th percentile value
Between the 5 th and 95 th percentile	Equal to the measure result
Greater than the 95 th percentile	Equal to the 95 th percentile value

CMS determines the 5th and 95th percentiles based on the distribution of measure results from all eligible hospitals with measure results, including Maryland hospitals.

Step 2: Transform measure results into measure scores

CMS calculates a hospital's Winsorized z-score, z , for each measure as:



- Hospitals that perform **worse** than the mean will earn a **positive** Winsorized z-score
- Hospitals that perform **better** than the mean will earn a **negative** Winsorized z-score

Step 3: Calculate Total HAC Scores

CMS calculates each hospital's Total HAC Score as the equally weighted average of the hospital's measure scores (that is, the Winsorized z-scores)

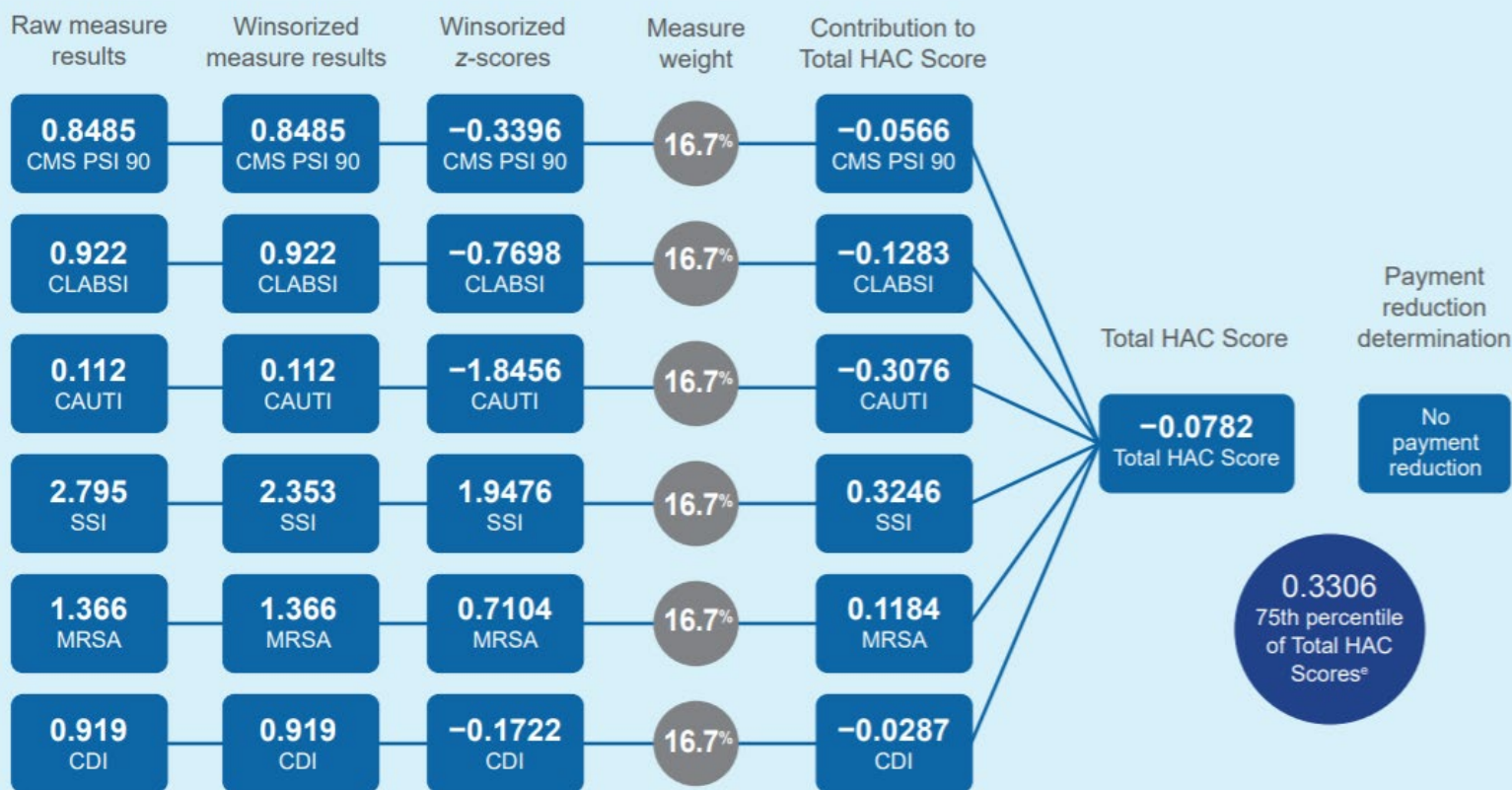
- The Total HAC Score calculation includes only the measures for which a hospital receives a measure score
 - Higher Total HAC Scores indicate **worse** overall performance
 - Lower Total HAC Scores indicate **better** overall performance

Step 4: Determine the Worst-Performing Quartile

- Hospitals whose Total HAC Score is greater than the 75th percentile Total HAC Score among all eligible hospitals will receive a payment reduction for FY 2025
 - CMS exempts Maryland hospitals from payment reductions under the HAC Reduction Program due to an agreement with Maryland, and excludes them from the distribution of hospitals used to determine the 75th percentile

Example Calculation

Example of calculating Hospital A's results using Equal Measure Weights and Winsorized z-scores:



^e CMS includes all non-Maryland subsection (d) hospitals with a Total HAC Score in its calculation of the 75th percentile.

Payment Reduction

- The 1-percent payment reduction applies to the overall Medicare payment amount for all Medicare fee-for-service discharges during FY 2025 (that is, from October 1, 2024, to September 30, 2025)
- The payment reduction occurs when CMS pays hospital Medicare fee-for-service claims

Hospital-Specific Reports (HSRs) and Scoring Calculations Review and Correction Period

HAC Reduction Program HSR

- The HAC Reduction Program HSR provides hospitals the necessary information to review their program results, replicate the program calculations, and submit correction requests
- Hospitals should refer to the FY 2025 HSR User Guide (HUG) for instructions on replicating program results using the HSR

How to Access Your HSR

Where can I access the HSR?

- HSRs can be downloaded directly from the [Hospital Quality Reporting \(HQR\) system](#)

Who has access to the HSRs?

- HSRs are accessible to users in your organization who have:
 - A HARP account in the HQR system
 - To register for a HARP account, you can follow the instructions on the QualityNet Website for [requesting a HARP ID](#)
 - Access to Managed File Transfer

How will I know my HSR is available?

- An email notification indicating that HSRs are available is sent to users via the Hospital Inpatient Value-Based Purchasing (HVBP) Listserv

HSR Contents

The HAC Reduction Program HSR provides hospitals with the following information:

- Contact information for the program and additional resources
- FY 2025 payment reduction status
- Total HAC Score
- Winsorized z-scores for all measures in the program
- Measure results for all measures in the program
- Discharge-level information for CMS PSI 90
- Hospital-level information for CDC's NHSN HAI measures

HSR Table 1 Total HAC Score

Table 1: Your Hospital's Total HAC Score Performance for the FY 2025 HAC Reduction Program

HOSPITAL NAME

CDC's NHSN HAI CLABSI, CAUTI, SSI, MRSA bacteremia, and CDI Measures Hospital Data Period: January 1, 2022 through December 31, 2023

CMS PSI 90 Hospital Discharge Period: July 1, 2021 through June 30, 2023

CMS PSI 90 Contribution to Total HAC Score [a]	CLABSI Contribution to Total HAC Score [b]	CAUTI Contribution to Total HAC Score [c]	SSI Contribution to Total HAC Score [d]	MRSA bacteremia Contribution to Total HAC Score [e]	CDI Contribution to Total HAC Score [f]	Total HAC Score for Your Hospital [g]	Payment Reduction Threshold (75th Percentile) [h]	Subject to Payment Reduction (Yes/No) [i]
-0.1419	0.4254	-0.3482	NMS	NMS	0.0052	-0.0595	0.3661	No

Note: This is an example and is not the actual Payment Reduction Threshold (75th percentile).

HSR Table 2 Winsorized z-scores

Table 2: Your Hospital's Measure Results and Winsorized z -scores for the FY 2025 HAC Reduction Program

HOSPITAL NAME

CDC's NHSN HAI CLABSI, CAUTI, SSI, MRSA bacteremia, and CDI Measures Hospital Data Period: January 1, 2022 through December 31, 2023

CMS PSI 90 Hospital Discharge Period: July 1, 2021 through June 30, 2023

Measure [a]	Measure Result [b]	5th Percentile Measure Result [c]	95th Percentile Measure Result [d]	Winsorized Measure Result [e]	Mean Winsorized Measure Result [f]	Standard Deviation of Winsorized Measure Results [g]	Winsorized z -score [h]	Weight of Winsorized z -score for Your Hospital [i]	Contribution of Winsorized z -score to Total HAC Score [j]
CMS PSI 90	0.9093	0.7652	1.3294	0.9093	0.9906	0.1432	-0.5677	0.2500	-0.1419
CLABSI	1.5650	0.0000	1.7800	1.5650	0.7354	0.4875	1.7017	0.2500	0.4254
CAUTI	0.0000	0.0000	1.7480	0.0000	0.6527	0.4686	-1.3928	0.2500	-0.3482
SSI	INS	0.0000	2.0850	INS	0.8364	0.5760	NMS	NMS	NMS
MRSA bacteremia	INS	0.0000	2.0060	INS	0.8134	0.5288	NMS	NMS	NMS
CDI	0.4430	0.0000	1.0470	0.4430	0.4371	0.2830	0.0209	0.2500	0.0052

Mock HSR (illustrative data)

HSR Table 3 CMS PSI Performance

Table 3: Your Hospital's Performance on CMS PSI 90 for the FY 2025 HAC Reduction Program

HOSPITAL NAME

Discharge Period: July 1, 2021 through June 30, 2023

Performance Information	CMS PSI 90 [a]	PSI 03 – Pressure Ulcer Rate	PSI 06 – Iatrogenic Pneumothorax Rate	PSI 08 – In-Hospital Fall-Associated Fracture Rate	PSI 09 – Postoperative Hemorrhage or Hematoma Rate	PSI 10 – Postoperative Acute Kidney Injury Requiring Dialysis Rate	PSI 11 – Postoperative Respiratory Failure Rate	PSI 12 – Perioperative Pulmonary Embolism or Deep Vein Thrombosis Rate	PSI 13 – Postoperative Sepsis Rate	PSI 14 – Postoperative Wound Dehiscence Rate	PSI 15 – Abdominopelvic Accidental Puncture or Laceration Rate
1. Composite Value	0.9093	--	--	--	--	--	--	--	--	--	--
2. Total Number of Eligible Discharges (Denominator) at Your Hospital [b]	--	797	1,087	1,066	95	9	14	101	10	20	91
3. Number of Outcomes (Numerator) [b]	--	0	0	0	1	0	0	0	0	0	0
4. Observed Rate per 1,000 Eligible Discharges [b]	--	0.0000	0.0000	0.0000	10.5263	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
5. Expected Rate per 1,000 Eligible Discharges [b]	--	0.7348	0.1869	0.2372	1.5146	0.8721	9.5397	5.1579	3.6605	1.8703	0.6526
6. Risk-Adjusted Rate per 1,000 Eligible Discharges [b]	--	0.0000	0.0000	0.0000	16.8696	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
7. Smoothed Rate per 1,000 Eligible Discharges [b] [c]	--	0.3809	0.2409	0.2790	2.7705	1.7260	9.9892	3.6705	5.6126	1.8738	0.8862
8. National Composite Value [d]	1.0000	--	--	--	--	--	--	--	--	--	--
9. National Risk-Adjusted Rate per 1,000 Eligible Discharges [b]	--	0.6503	0.2527	0.2884	2.4273	1.7292	10.3762	3.9389	5.6439	1.8893	0.9021
10. Measure's Weight in Composite [b]	--	0.1690	0.0358	0.0435	0.0340	0.0683	0.2548	0.1631	0.1894	0.0157	0.0263
11. Reliability Weight [b]	--	0.4143	0.0467	0.0325	0.0238	0.0019	0.0373	0.0681	0.0056	0.0082	0.0176

Mock HSR (illustrative data)

HSR Table 4 CMS PSI Discharges

Table 4: Your Hospital's Discharge-Level Information for CMS PSI 90 for the FY 2025 HAC Reduction Program

HOSPITAL NAME

Discharge Period: July 1, 2021 through June 30, 2023

Note: This file contains MOCK data except for national results. Your hospital's HSR workbook contains discharge-level data protected by the Health Insurance Portability and Accountability Act of 1996 (HIPAA). Any disclosure of protected health information (PHI) should be in accordance with, and only to the extent permitted by, the HIPAA Privacy and Security Rules and other applicable law. When referring to the contents of your hospital's HSR workbook, use the ID number.

ID Number	Measure	MBI	Medical Record Number	Beneficiary DOB	Admission Date	Discharge Date	PSI Trigger Diagnoses or Procedures	DX1	POA1
1	POSTOPERATIVE HEMORRHAGE OR HEMATOMA RATE (PSI09)	9AA9AA9AA99	99999A	99/99/9999	99/99/9999	99/99/9999	L7622, 0Y3N0ZZ	E1152	Y

Mock HSR (illustrative data)

HSR Table 5 CDC HAI Performance

Table 5: Your Hospital's Performance on CDC's NHSN HAI Measures for the FY 2025 HAC Reduction Program

HOSPITAL NAME

Data Period: January 1, 2022 through December 31, 2023

Performance Information	CLABSI [a]	CAUTI [a]	SSI [a]	MRSA bacteremia [a]	CDI [a]
1. Reported Number of HAIs [b]	2	0	0	0	3
2. Predicted Number of HAIs [c]	1.278	3.410	0.301	0.591	6.768
3. Reported Central-line Days or Urinary Catheter Days; Surgical Procedures Performed; MRSA bacteremia Patient Days; CDI Patient Days [d]	1,463	4,098	17	14,589	14,589
4. SIR [e]	1.565	0.000	INS	INS	0.443
5. National SIR [f]	0.775	0.622	0.907	0.830	0.446

Mock HSR (illustrative data)

Scoring Calculations Review and Correction Period

- **For FY 2025, the Scoring Calculations Review and Correction period extends from August 5, 2024, through September 3, 2024.**
- CMS grants hospitals 30 days to review their HAC Reduction Program data, submit questions about their results, and request a correction if a calculation error is identified.
- Submit questions and correction requests to the HAC Reduction Program Support Team via the [QualityNet Question and Answer Tool](#) no later than 11:59 pm PT on the final day of the Scoring Calculations Review and Correction period.

What can hospitals correct?



Hospitals



Can

Submit questions about the calculation of their:

- Measure results
- Measure scores
- Total HAC Score
- Payment reduction status



Cannot

- Submit additional corrections related to underlying claims data for the CMS PSI 90 measure
- Change the SIRs or the reported number of HAIs, and central-line days, urinary catheter days, surgical procedures performed, or patient days

Correcting CMS PSI 90 Data

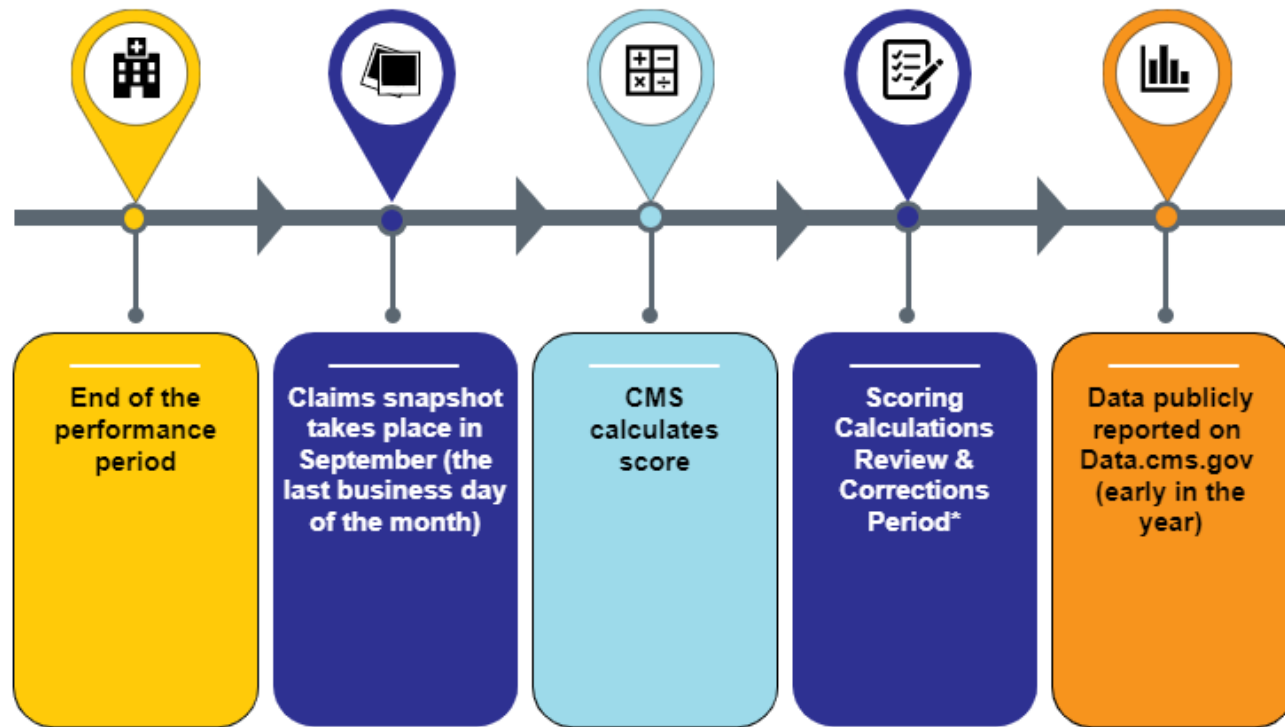
Hospitals **cannot** correct underlying claims data during the Scoring Calculations Review and Correction period, because hospitals have already had the opportunity to review and correct those data

For CMS PSI 90:

- CMS takes an annual snapshot of claims data to perform measure calculations for claims-based measures
- The snapshot for FY 2025 calculations occurred on October 13, 2023
- Medicare Administrative Contractors must have processed all corrections to underlying claims by the snapshot date, and claim edits after this date will not be reflected in program results
- The next claims snapshot (for FY 2026 calculations) will occur on September 30, 2024

Claims-Based Data

CMS PSI 90



* Hospitals may not change underlying data during this period

Correcting CDC's NHSN HAI Data

Hospitals **cannot** correct underlying HAI data during the Scoring Calculations Review and Correction period, because hospitals have already had the opportunity to review and correct that data

For the CDC's NHSN HAI measures:

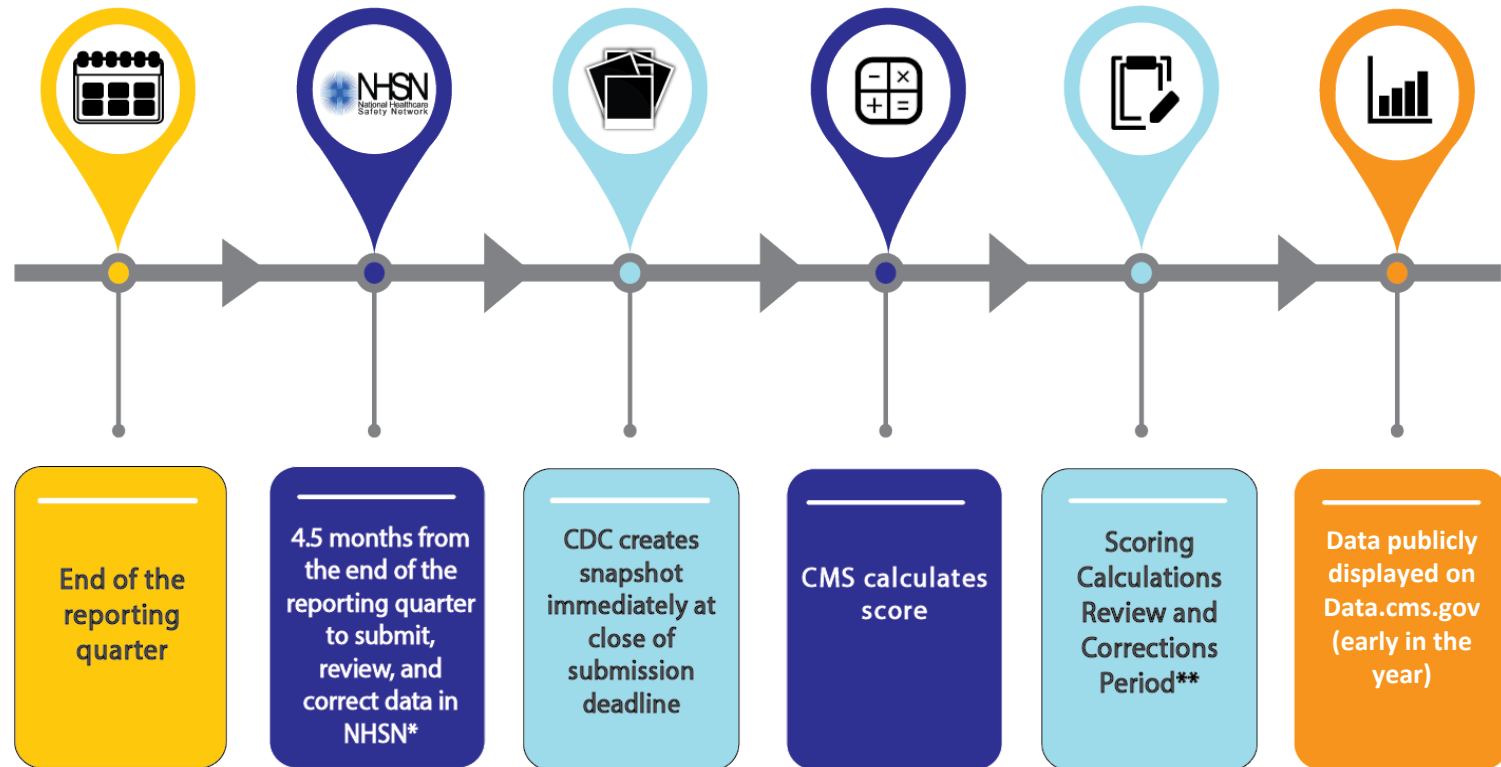
- Hospitals can submit, review, and correct the CDC's NHSN HAI data for the full 4.5 months after the end of the reporting quarter
- Immediately after the NHSN submission deadline, CDC creates a data file for CMS to use in HAC Reduction Program calculations
- CMS does not receive or use data entered after the NHSN submission deadline
- CMS expects hospitals to review and correct their data before the NHSN submission deadline

NHSN Submission Deadlines

Reporting quarter	Applicable calendar months	NHSN submission deadline*
Q1	January, February, March	August 15
Q2	April, May, June	November 15
Q3	July, August, September	February 17
Q4	October, November, December	May 15

*If the 15th of the month falls on a Friday, Saturday, Sunday, or Federal holiday, the NHSN submission deadline is the following Monday

HAI Data Flow



*Eligible hospitals have until May 15 of each year to submit an HAI exemption form for CLABSI, CAUTI, and SSI only.

** The Scoring Calculations Review and Correction period does not allow hospitals to correct: (1) reported number of HAIs; (2) standardized infection ratios (SIRs); and (3) reported central-line days, urinary catheter days, surgical procedures performed, or patient days.

Public Reporting

In early 2025, CMS will release the following FY 2025 HAC Reduction Program information on the data catalog on [Data.cms.gov](https://data.cms.gov):

- CMS PSI 90, CLABSI, CAUTI, SSI, MRSA bacteremia, and CDI measure results and measure scores
- Total HAC Score
- Payment reduction indicator

More Information

CMS releases a HAC Reduction Program HSR User Guide (HUG) and a Mock HSR on the QualityNet website

For more information, hospitals can contact the HAC Reduction Program Support Team via the [QualityNet Question and Answer Tool](#) to:

- Submit questions about the calculations
- Request a copy of the Example Replication Instructions
- Request a copy of version 14.0 of the CMS PSI Software

Refer to the Replication Instructions document on the [QualityNet CMS PSI Resources webpage](#) for instructions on how to use the CMS PSI Software

HAC Reduction Program Resources

General information on the HAC Reduction Program can be found on QualityNet:

- **Program information:** [Hospitals – Inpatient > Hospital-Acquired Condition Reduction Program \(HACRP\)](#)
- **HSR User Guide and Mock HSR:** [Hospitals – Inpatient > Hospital-Acquired Condition \(HAC\) Reduction Program > Reports](#)
- **FAQs, Fact Sheet, Matrix of Key Dates, and Payment Reduction Methodology Infographic:** [Hospitals – Inpatient > Hospital-Acquired Condition \(HAC\) Reduction Program > Resources](#)
- **Scoring Calculations Review and Correction period information on QualityNet:** [Hospitals – Inpatient > Hospital-Acquired Condition \(HAC\) Reduction Program > Payment](#)
- **CMS PSI Resources on QualityNet:** [Hospitals – Inpatient > Measures > Patient Safety Indicators \(PSI\)](#)

HAC Reduction Program Resources

Submit questions about the HAC Reduction Program to the [QualityNet Question and Answer Tool](#) by selecting “Ask a Question” and then use the table below to determine which Program, Topic, and Subtopic to select

Question Subject	Program	Topic and Subtopic (if applicable)
Scoring Calculations Review and Correction period	HACRP – Hospital-Acquired Condition Reduction Program	Topic: HACRP Review & Correction Requests
Your hospital’s results, issues accessing the HSR, or patient-level data	HACRP – Hospital-Acquired Condition Reduction Program	Topic: Hospital-specific reports & requests
Request for Excel replication example	HACRP – Hospital-Acquired Condition Reduction Program	Topic: HSR replication example
Scoring methodology	HACRP – Hospital-Acquired Condition Reduction Program	Topic: General Information (HACRP)
CMS PSI 90 questions	Inpatient Claims-Based Measures	Topic: Patient Safety Indicators (PSI)

Rebecca Silverman

HRRP Program Manager

DVIQR Program Support (DPS)

HRRP

HRRP Background

- HRRP is a Medicare value-based purchasing program set forth under Section 1886(q) of the Social Security Act
- Under HRRP, CMS reduces payments to hospitals with higher-than-expected rates of readmission following treatment for select conditions and procedures, encouraging hospitals to provide high-quality care to reduce avoidable returns to the hospital

Eligible Hospitals

HRRP includes all subsection (d) hospitals.

- Subsection (d) hospitals are broadly defined as general acute care hospitals paid under IPPS
- CMS exempts Maryland hospitals from HRRP payment reductions because of an agreement between CMS and Maryland

HRRP Measures

- The FY 2025 program includes the following condition/procedure-specific 30-day risk standardized unplanned readmission measures:
 - Acute Myocardial Infarction (AMI)
 - Chronic Obstructive Pulmonary Disease (COPD)
 - Heart Failure (HF)
 - Pneumonia
 - Coronary Artery Bypass Graft (CABG) surgery
 - Elective Primary Total Hip Arthroplasty and/or Total Knee Arthroplasty (THA/TKA)

Updates for FY 2025 HRRP

- The FY 2025 performance period is July 1, 2020, to June 30, 2023
- CMS did not make any substantive changes to HRRP for FY 2025

HRRP Peer Grouping Methodology

- FY 2013 – FY 2018: non-peer grouping methodology
 - Evaluates a hospital's performance relative to all other HRRP hospitals
- FY 2019 and subsequent years: peer grouping methodology
 - Evaluates a hospital's performance relative to other hospitals with a similar proportion of patients who are dually eligible for Medicare and full Medicaid benefits
 - Required to maintain Medicare budget neutrality

Payment Reduction Methodology

Payment Reduction Methodology

- The payment reduction is the percentage a hospital's payments will be reduced based on its performance in the program
- The payment reduction is a weighted average of a hospital's performance across the HRRP measures during the performance period
- The payment adjustment factor corresponds to the percentage a hospital's payment is reduced (equals 1 minus the payment reduction)

Payment Reduction Methodology: ERR and Dual Proportion

Step 1: CMS calculates a dual proportion for every hospital as well as an excess readmission ratio (ERR) for each of the HRRP conditions/procedures

Dual proportion: proportion of Medicare FFS and managed care stays in a hospital during the performance period in which the beneficiary was dually eligible for Medicare and full Medicaid benefits



Example dual proportion calculation for Hospital A:

Hospital A has **894** stays in which the beneficiary was dually eligible for Medicare and full Medicaid benefits.

Hospital A has **3,389** total Medicare FFS and managed care stays.

$$\text{Dual proportion} = \frac{894}{3,389} = 0.2638$$

ERR: a measure of a hospital's relative performance, calculated using Medicare fee-for-service (FFS) claims

Example ERR calculations for Hospital A:

$$\text{AMI ERR: } \frac{0.1898}{0.1850} = 1.0259$$

$$\text{COPD ERR: } \frac{0.1649}{0.1574} = 1.0476$$

$$\text{HF ERR: } \frac{0.1349}{0.1251} = 1.0783$$

$$\text{Pneumonia ERR: } \frac{0.1460}{0.1459} = 1.0007$$

$$\text{CABG ERR: } \frac{0.1883}{0.1995} = 0.9439$$

$$\text{THA/TKA ERR: } \frac{NQ}{NQ} = NQ$$

Hospitals with no eligible discharges for a measure will not have an ERR calculated for that measure.

Payment Reduction Methodology: Peer Groups and Peer Group Median ERR

Step 2: CMS sorts hospitals into 1 of 5 similarly sized peer groups (i.e., quintiles) based on hospitals' dual proportions



Example peer groups:

Peer group	Minimum dual proportion	Maximum dual proportion
1	0	0.1347
2	0.1348	0.1832
3	0.1833	0.2316
4	0.2317	0.3083
5	0.3084	1

Hospital A's dual proportion = **0.2638**

Hospital A is in **Peer Group 4**

Step 3: CMS calculates a median ERR for each peer group and each measure



Example peer group median ERRs:

Peer group	AMI	COPD	HF	Pneumonia	CABG	THA/TKA
1	0.9941	0.9943	0.9848	0.9842	0.9804	0.9841
2	0.9961	0.9944	0.9865	0.9927	0.9961	0.9969
3	0.9964	0.9956	0.9894	0.9968	0.9979	0.9901
4	0.9970	0.9954	1.0077	1.0021	1.0093	1.0073
5	1.0093	1.0104	1.0258	1.0243	1.0157	0.9989

Payment Reduction Methodology: Measure Contributions

Step 4: CMS determines which ERRs will contribute to the payment reduction. For an ERR to contribute to the payment reduction, it must meet two criteria:

- ERR > peer group median ERR
- Eligible discharges ≥ 25



Example determination of measures contributing to the payment reduction for Hospital A:

Measure	ERR	Peer Group 4 median ERR	ERR > Peer Group 4 median ERR	Eligible discharges	Eligible discharges ≥ 25
AMI	1.0259	0.9970	✓	42	✓
COPD	1.0476	0.9954	✓	38	✓
HF	1.0783	1.0077	✓	22	X
Pneumonia	1.0007	1.0021	X	23	X
CABG	0.9439	1.0093	X	25	✓
THA/TKA	NQ	1.0073	X	0	X

The **AMI** and **COPD** measures will contribute to Hospital A's payment reduction.

Payment Reduction Methodology: Measure Contributions

Step 5: CMS calculates each measure's contribution to the payment reduction



Example calculations of measures' contributions to the payment reduction for **Hospital A**:

Neutrality modifier		DRG ratio		ERR		Peer group median ERR		Contribution
0.9458	X	0.0648 AMI	X	(1.0259 AMI	-	0.9970 AMI	=	0.0018 AMI
0.9458	X	0.0331 COPD	X	(1.0476 COPD	-	0.9954 COPD	=	0.0016 COPD

Only the AMI and COPD measures are shown in this step because these are the only two measures that will contribute to Hospital A's payment reduction (see Step 4).

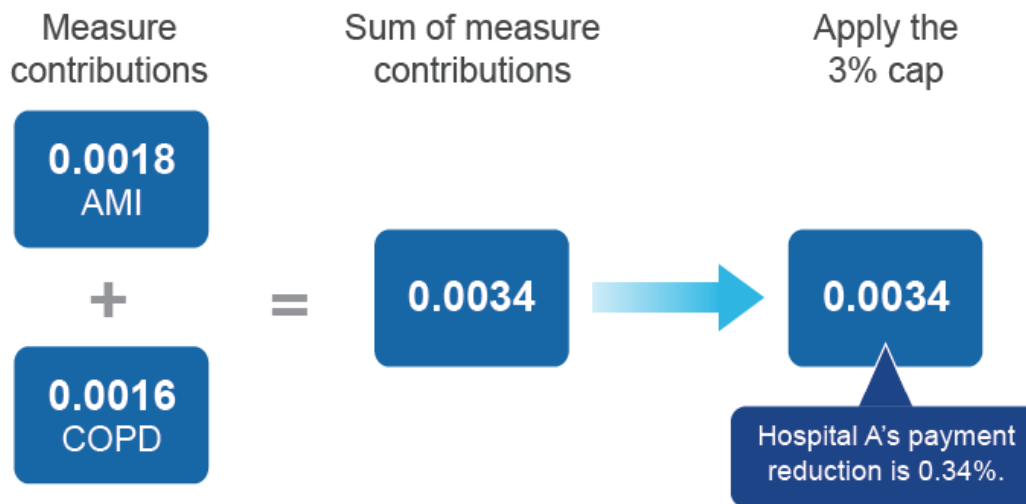
Payment Reduction Methodology: Payment Reduction

Step 6: CMS sums the measure contributions to the payment reduction

- If the sum of the measure contributions to the payment reduction is >0.03 , CMS applies the 3% cap



Example calculation of the payment reduction for Hospital A:



Payment Reduction Methodology: Payment Adjustment Factor

Step 7: CMS calculates the payment adjustment factor (PAF)

Payment adjustment factor = 1 – payment reduction



Example calculation of the payment adjustment factor for Hospital A:

Hospital A's payment adjustment factor = 1 – 0.0034 = 0.9966

Step 8: CMS applies the payment adjustment factor to payments for Medicare FFS claims submitted starting October 1 each year

*PAF X Base operating DRG payment amounts**



Example application of the payment adjustment factor for Hospital A:

Hospital A's total base operating DRG payment amount is: **\$9,842,675**

Hospital A's payment adjustment factor is: **0.9966**

Hospital A's total payment for Medicare FFS claims† = **\$9,842,675 x 0.9966 = \$9,809,209.91**

*In general, base operating DRG payment amounts are the Medicare FFS base operating DRG payments without any add-on payments (e.g., Disproportionate Share Hospital and Indirect Medical Education payments).

†The PAF is applied to all Medicare FFS base operating DRG payments throughout the fiscal year. The total Medicare FFS payments do not include add-on payments or adjustments from other Medicare value-based purchasing programs.

HSRs and Review and Correction Period

HRRP HSR Content

The HRRP HSRs contains tabs that provide hospitals the following information:

- Payment Reduction Percentage
- Payment Adjustment Factor
- Measure results/ERRs
- Neutrality Modifier
- Peer grouping information
 - Dual stays
 - Dual proportion
 - Peer group assignment
- Discharge-level information for readmission measures
- Contact information for the program and links to additional resources

Table 1: Payment Adjustment

Table 1: Your Hospital's Payment Adjustment Factor Information

HOSPITAL NAME

Hospital Discharge Period: July 1, 2020 through June 30, 2023

Number of Dually Eligible Stays (Numerator) [a]	Total Number of Stays (Denominator) [b]	Dual Proportion [c]	Peer Group Assignment [d]	Neutrality Modifier [e]	Payment Reduction Percentage [f]	Payment Adjustment Factor [g]
186	856	0.2173	3	0.9652	0.07%	0.9993

Mock HSR (illustrative data)

Table 2: Hospital Results

Table 2: Your Hospital's Results on 30-Day All-Cause Unplanned Risk-Standardized Readmission Measures

HOSPITAL NAME

Hospital Discharge Period: July 1, 2020 through June 30, 2023

Measure [a]	Number of Eligible Discharges [b]	Number of Readmissions Among Eligible Discharges [c]	Predicted Readmission Rate [d]	Expected Readmission Rate [e]	Excess Readmission Ratio (ERR) [f]	Peer Group Median ERR [g]	Penalty Indicator (Yes/No) [h]	Ratio of DRG Payments Per Measure to Total Payments [i]	National Observed Readmission Rate [j]
AMI	2	0	18.0710%	18.2000%	0.9929	0.9958	No	0.0027	13.4%
COPD	18	3	16.5474%	16.5414%	1.0004	0.9924	No	0.0226	18.6%
HF	25	2	15.8781%	16.3542%	0.9709	0.9955	No	0.0322	19.7%
Pneumonia	32	5	14.2424%	14.1464%	1.0068	0.9912	Yes	0.0494	16.4%
CABG	NQ	NQ	NQ	NQ	NQ	0.9943	No	NQ	10.6%
THA/TKA	45	0	3.5009%	3.9695%	0.8819	0.9963	No	0.1040	4.5%

Mock HSR (illustrative data)

Tables 3 – 8: Discharges

Table 4: Discharge-Level Information for the COPD 30-Day All-Cause Unplanned Risk-Standardized Readmission Measure

HOSPITAL NAME

Hospital Discharge Period: July 1, 2020 through June 30, 2023

Note: This file contains MOCK data except for national results. Your hospital's HSR workbook contains discharge-level data protected by the Health Insurance Portability and Accountability Act of 1996 (HIPAA). Any disclosure of protected health information (PHI) should be in accordance with, and only to the extent permitted by, the HIPAA Privacy and Security Rules and other applicable law. When referring to the contents of your hospital's HSR workbook, use the ID number.

[Please note row 8 contains risk factor coefficients beginning in column R. Beginning in row 9 of the HSR, the file contains a 1 if the patient was identified as having that risk factor (and equals the years above 65 for the "Years over 65 (continuous)" risk factor); 0 otherwise. The risk factor flags (1 or 0) will be in cells beginning in column S]

ID Number	MBI	Medical Record Number	Beneficiary DOB	Admission Date of Index Stay	Discharge Date of Index Stay	Cohort Inclusion/Exclusion Indicator	Index Stay (Yes/No)
--	--	--	--	--	--	--	--
1	9AA9AA9AA99	99999A	99/99/9999	99/99/9999	99/99/9999	0	Yes
2	9AA9AA9AA99	99999A	99/99/9999	99/99/9999	99/99/9999	0	Yes
3	9AA9AA9AA99	99999A	99/99/9999	99/99/9999	99/99/9999	0	Yes

Mock HSR (illustrative data)

Tables 3 – 8: Discharges (Continued)

Index Stay (Yes/No)	Principal Discharge Diagnosis of Index Stay	Discharge Destination	Unplanned Readmission within 30 Days (Yes/No) [a]	Planned Readmission within 30 Days (Yes/No)
--	--	--	--	--
Yes	J441	50	Yes	No
Yes	J439	50	Yes	No
Yes	J441	01	Yes	No
Yes	J9621	06	No	No
Yes	J441	01	No	No

Mock HSR (illustrative data)

Tables 3 – 8: Discharges (Continued)

Readmission Date	Discharge Date of Readmission	Principal Discharge Diagnosis of Readmission	Readmission to Same Hospital (Yes/No)	Provider ID of Readmitting Hospital [b]	HOSP_EFFECT	AVG_EFFECT
--	--	--	--	--	-2.529528962	-2.529972519
99/99/9999	99/99/9999	A419	Yes	999999	N/A	N/A
99/99/9999	99/99/9999	I130	No	888888	N/A	N/A
99/99/9999	99/99/9999	I130	No	888888	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A

Mock HSR (illustrative data)

Table 9: Dual Stays

Table 9: Stay-Level Information for Patients who are Dually Eligible (Dual Proportion Numerator)

HOSPITAL NAME

Hospital Discharge Period: July 1, 2020 through June 30, 2023

Note: This file contains MOCK data except for national results. Your hospital's HSR workbook contains discharge-level data protected by the Health Insurance Portability and Accountability Act of 1996 (HIPAA). Any disclosure of protected health information (PHI) should be in accordance with, and only to the extent permitted by, the HIPAA Privacy and Security Rules and other applicable law. When referring to the contents of your hospital's HSR workbook, use the ID number.

ID Number	MBI	Beneficiary DOB	Admission Date	Discharge Date	Claim Type
1	9AA9AA9AA99	99/99/9999	99/99/9999	99/99/9999	Fee for Service
2	9AA9AA9AA99	99/99/9999	99/99/9999	99/99/9999	Fee for Service
3	9AA9AA9AA99	99/99/9999	99/99/9999	99/99/9999	Fee for Service
4	9AA9AA9AA99	99/99/9999	99/99/9999	99/99/9999	Managed Care
5	9AA9AA9AA99	99/99/9999	99/99/9999	99/99/9999	Fee for Service
6	9AA9AA9AA99	99/99/9999	99/99/9999	99/99/9999	Fee for Service

Mock HSR (illustrative data)

Review and Correction Period

- **For FY 2025, the Review and Correction period extends from August 12, 2024, through September 10, 2024**
- CMS grants hospitals 30 days to review their HRRP data, submit questions about their result, and request a correction if a calculation error is identified
- If a hospital identifies a potential discrepancy in the payment adjustment factor and component results, the hospital should submit an inquiry to the [QualityNet Question and Answer Tool](#) no later than 11:59 pm PT on the final day of the Review and Correction period

What can hospitals correct?



Hospitals



Can

Submit questions about the calculation of their:

- Payment Reduction Percentage
- PAF
- Dual Proportion
- Peer Group Assignment
- Neutrality Modifier
- ERR(s)
- Peer Group Median ERR(s)



Cannot

- Submit additional corrections related to underlying claims data
- Add new claims to the data used for the calculations

Public Reporting

- After the Review and Correction period, CMS releases the IPPS/LTCH PPS Final Rule HRRP Supplemental Data File which includes the following components:
 - Payment reduction percentage
 - Payment adjustment factor
 - Dual proportion
 - Peer group assignment
 - ERR for each measure
 - Number of eligible discharges for each measure
 - Neutrality modifier
 - Peer group median ERR for each measure
 - Penalty indicator for each measure
 - DRG payment ratio for each measure

Public Reporting (Continued)

- In early 2025, for hospitals with at least 25 discharges, CMS reports the following data elements for each of the 30-day risk-standardized unplanned readmission measures on the data catalog on [Data.cms.gov](https://data.cms.gov):
 - Number of eligible discharges
 - Number of readmissions for hospitals with 11 or more readmissions
 - Predicted readmission rates
 - Expected readmission rates
 - ERR

HRRP Resources

General information on HRRP can be found on QualityNet:

- **Program information:** [Hospitals – Inpatient > Hospital Readmissions Reduction Program \(HRRP\)](#)
- **HSR User Guide and Mock HSR:** [Hospitals – Inpatient > HRRP > Reports](#)
- **30-day risk-standardized unplanned readmission measure information:** [Hospitals – Inpatient > Measures > Readmission Measures > Methodology](#)
- **FAQs, Fact Sheet, Matrix of Key Dates, and Payment Reduction Methodology Infographic:** [Hospitals – Inpatient > HRRP > Resources](#)

HRRP Resources

- Submit questions about HRRP to the [QualityNet Question and Answer Tool](#) by selecting “Ask a Question”
- Use the table below to determine which Program, Topic, and Subtopic to select, based on the subject of your question

If you have a question about...	Select this Program	Select this Topic and Subtopic (if applicable)
Review and Correction period	HRRP – Hospital Readmissions Reduction Program	Topic: HRRP review & correction request
Your hospital’s results, issues accessing the HSR, or patient-level data	HRRP – Hospital Readmissions Reduction Program	Topic: Hospital-specific reports & requests
Requesting the Excel replication example	HRRP – Hospital Readmissions Reduction Program	Topic: HSR replication example
PAF or payment reduction methodology	HRRP – Hospital Readmissions Reduction Program	Topic: PAF methodology
Readmission measure methodology	Inpatient Claims-Based Measures	Topic: Readmissions Subtopic: Understanding measure methodology

Questions

Continuing Education Approval

This program has been approved for [credit](#) for the following boards:

- **National credit**
 - Board of Registered Nursing (Provider #16578)
- **Florida-only credit**
 - Board of Clinical Social Work, Marriage & Family Therapy and Mental Health Counseling
 - Board of Registered Nursing
 - Board of Nursing Home Administrators
 - Board of Dietetics and Nutrition Practice Council
 - Board of Pharmacy

Note: To verify approval for any other state, license, or certification, please check with your licensing or certification board.

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