

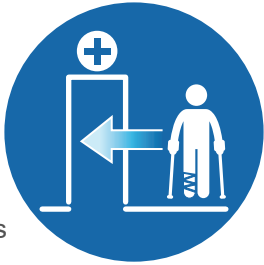
Hospital Readmissions Reduction Program

Fiscal Year 2027 Fact Sheet



What is the Hospital Readmissions Reduction Program?

- The Hospital Readmissions Reduction Program is a Medicare value-based purchasing program that reduces payments to hospitals with excess readmissions.
- Under the Hospital Readmissions Reduction Program, 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.



Which unplanned readmission measures are included?

- **AMI** (acute myocardial infarction)
- **COPD** (chronic obstructive pulmonary disease)
- **HF** (heart failure)
- **Pneumonia**
- **CABG** (coronary artery bypass graft) surgery
- **THA/TKA** (total hip and/or total knee arthroplasty)



What changes did CMS make for fiscal year (FY) 2027?

- Beginning in FY 2027, CMS is calculating excess readmission ratios (ERRs) using both Medicare Advantage (MA) and fee-for-service (FFS) data.
- CMS is reducing the performance period from 3-years to 2-years.



What is the FY 2027 performance period?

The FY 2027 performance period is July 1, 2023, to June 30, 2025.

How does CMS determine payment reductions?



STEP 1

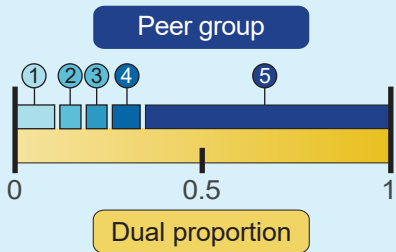
For each condition or procedure, CMS calculates an ERR.^a

$$ERR = \frac{\text{Predicted}}{\text{Expected}}$$



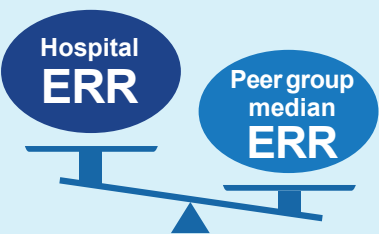
STEP 2

CMS sorts hospitals into similarly sized peer groups based on their dual proportion^b and calculates median ERRs for each peer group.



STEP 3

CMS compares each hospital's performance with the peer group median ERR for each measure.



STEP 4

CMS calculates each hospital's payment reduction.^c



^a The ERR is a measure of a hospital's relative performance compared with all other Hospital Readmissions Reduction Program hospitals. CMS calculates ERRs as the ratio of the predicted readmission rate to the expected readmission rate. **Beginning in FY 2027, ERRs are calculated using Medicare FFS and MA data.**

^b The dual proportion is the proportion of Medicare FFS and MA stays in a hospital during the performance period in which the beneficiary was dually eligible for Medicare and full Medicaid benefits.

^c The payment reduction is the weighted average of a hospital's performance across measures; it is capped at 3 percent. CMS transforms the payment reduction into the payment adjustment factor (PAF) to determine how much the hospital's payment will be reduced. The PAF equals 1.0 minus the payment reduction; it ranges from 0.97 to 1.0.

How does the Hospital Readmissions Reduction Program affect hospitals' payments?



- CMS calculates a payment reduction, ranging from 0 to 3 percent, for all eligible hospitals.*
- CMS applies the payment reduction to all Medicare FFS base operating diagnosis-related group payments, regardless of condition or procedure. The payment reduction is not applied to MA payments.

*The Hospital Readmissions Reduction Program only includes subsection (d) hospitals, that is general acute care hospitals paid under the Inpatient Prospective Payment System.

How can hospitals review their results?



Hospital-Specific Reports

Hospitals can access their Hospital-Specific Report (HSR) directly from the [Hospital Quality Reporting system](#) at the beginning of the 30-day Review and Correction period.

For more information on how to access your hospital's HSR, please refer to the [Hospital Readmissions Reduction Program Frequently Asked Questions](#) document on the QualityNet website, or this [brief instructional video](#).

Where does CMS report the Hospital Readmissions Reduction Program results?



CMS posts hospital-level data in the [Hospital Readmissions Reduction Program Supplemental Data File](#), which is available on the CMS website after the Review and Correction period.



CMS posts hospital-level measure data on the data catalog on [Data.cms.gov](#) in early 2027.

Where can I go for more information?



For more information about the Hospital Readmissions Reduction Program, visit the [Hospital Readmissions Reduction Program page](#) on the QualityNet website.

For more information about the readmission measures, visit the [Readmission Measures Methodology page](#) on the QualityNet website.

For additional questions about the Hospital Readmissions Reduction Program or readmission measures, please submit inquiries via the [QualityNet Question and Answer Tool](#).