



# In the Literature

Highlights from Commonwealth Fund-Supported Studies in Professional Journals

## Medicare's Payment Policy for Hospital-Acquired Conditions: Perspectives of Administrators from Safety-Net Hospitals

June 21, 2011

**Authors:** Megan McHugh, Ph.D., Kevin Van Dyke, M.P.P., Awo Osei-Anto, M.P.P., and Ahmed Haque

**Journal:** *Medical Care Research and Review*, published online May 19, 2011

**Contact:** Megan McHugh, Ph.D., Institute for Healthcare Studies and Department of Emergency Medicine, Northwestern University, [megan-mchugh@northwestern.edu](mailto:megan-mchugh@northwestern.edu), or Mary Mahon, Senior Public Information Officer, The Commonwealth Fund, [mmm@cmwf.org](mailto:mmm@cmwf.org)

**Access to full article:** <http://mcr.sagepub.com/content/early/2011/05/17/1077558711408326.abstract>

### Synopsis

Authors in this study interviewed quality and financial officers at safety-net hospitals about the impact of a Medicare policy limiting reimbursement for treating avoidable and costly hospital-acquired conditions (HACs). Although hospital executives reported that the policy provided additional motivation to reduce HACs, few hospitals implemented new care practices and instead focused on documenting conditions that are present for patients on admission.

### The Issue

In 2008, Medicare implemented a policy to limit payment to hospitals for treating avoidable HACs, including pressure ulcers, falls and trauma, and foreign objects retained after surgery. Although the policy will expand nationally to Medicaid programs in 2011, little is known about the impact on safety-net hospitals, which may be disproportionately affected by the policy because they serve vulnerable populations with complex health conditions and because some may lack the resources to implement strategies to reduce HACs. To explore the impact of the policy, authors of this Commonwealth Fund-supported study interviewed chief quality officers and chief financial officers from safety-net hospitals.

**"Safety-net hospitals are a critical component of the health care system and may be disproportionately affected by Medicare's policy on hospital-acquired conditions."**

### Key Findings

- More than 80 percent of respondents said that the policy had been discussed with their governing boards and frontline clinical staff.
- When asked about challenges associated with the policy, almost half (45%) described the burden of identifying and documenting conditions that are present for patients when admitted. Eighteen percent

described other administrative issues, including training staff to code the policy correctly and adding prompts to electronic medical records to alert physicians and nurses to document conditions. Few respondents (11%) raised financial cost as a challenge.

- A majority of hospital executives (55%) said that the policy created a heightened awareness, a stronger hospitalwide focus on the conditions, and extra incentive to reduce HACs.
- Around half (48%) of the chief financial officers reported that other payers in their market had adopted similar payment policies for HACs.
- Very few respondents could offer specific examples of the policy resulting in changes in care practice.
- Thirty-six percent of chief financial officers reported they had developed a financial estimate of the impact of the policy. Of those, most said the impact would be “minimal” or “inconsequential.” There were seven respondents who said the policy would have significant financial impact, with annual losses ranging from \$100,000 to “several million.” However, when probed, the authors discovered four of these estimates were based on faulty assumptions.

---

### **Addressing the Problem**

The authors’ findings indicate that safety-net hospitals may benefit from further guidance from the Centers for Medicare and Medicaid Services in several areas. First, hospitals need clarification around appropriate use of testing for urinary tract infections (UTIs), a condition which is commonly present on admission, combined with information on preventing catheter-associated UTIs. Second, some respondents argued that some conditions on the HACs list—like falls and pressure ulcers—are not always preventable. Hospitals need prevention strategies for dealing with such conditions. Finally, several respondents in this study indicated initial estimates of large financial losses based on faulty assumptions, demonstrating the need for better educational materials regarding the scope of the policy.

---

### **About the Study**

From April to October 2009, the authors interviewed 115 chief quality and financial officers from 88 safety-net hospitals about their awareness of the policy, challenges and benefits, impact on care and finances, and speculation about future changes.

---

### **The Bottom Line**

In addition to financial incentives, safety-net hospitals need more guidance from the Centers for Medicare and Medicaid Services to implement the policy and reduce their incidence of hospital-acquired conditions.

---

### **Citation**

M. McHugh, K. Van Dyke, A. Osei-Anto et al., “Medicare’s Payment Policy for Hospital-Acquired Conditions: Perspectives of Administrators from Safety-Net Hospitals,” *Medical Care Research and Review*, published online May 19, 2011.