



Client Alert

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CCTP Demonstration Project Launch and Looming Penalties Under PPACA Put Hospital Readmission Rates in the Spotlight

Section 3026 of the Patient Protection and Affordable Care Act (PPACA) provides for a five-year demonstration project called the Community-based Care Transitions Program (CCTP). Funded by \$500 million in federal dollars, CCTP encourages collaboration among hospitals and community-based services providers for improving care transitions for high-risk Medicare beneficiaries and for reducing unnecessary hospital readmissions.

According to the Centers for Medicare & Medicaid Services (CMS), hospitalizations account for about 33 percent of total Medicare expenditures and represent the largest single Medicare program outlay. One-fifth of Medicare patients who are hospitalized are readmitted to hospitals within 30 days of discharge, and one-third are readmitted within 90 days. In 2007, the Medicare Payment Advisory Commission estimated that Medicare spends approximately \$12 billion annually on preventable readmissions. The CCTP demonstration is aimed at validating collaborative approaches to reducing these costs.

CMS held a national conference on CCTP in December 2010, which drew broad provider participation. At the conference, CMS made clear that it views CCTP as building on the lessons learned and models implemented by community-based programs already functioning in 14 states under the guidance of quality improvement organizations (QIOs).

On April 15, 2011, CMS published a Federal Register notice soliciting proposals for the CCTP program and announcing that proposals will be accepted on a rolling basis as funds permit. Eligible collaborators are (a) hospitals with high readmission rates and (b) community-based organizations (CBOs) that provide transition services across the continuum of care and whose governing bodies include representatives from multiple stakeholders, including consumers. Participants will be paid on a per-eligible-discharge basis for Medicare patients at high risk for readmission, including those with multiple chronic conditions, depression or cognitive impairment. Unlike the accountable care organization approach outlined in PPACA, which allows providers to share a portion of the savings when expenditures are below Medicare targets, CCTP participants will receive a set payment for every patient they follow after hospital discharge. While the demonstration will run for five years, participants will be awarded two-year contracts that may be extended based on performance.

As outlined in the solicitation, applicants must:

1. Identify root causes of readmission and define their target population and strategies for identifying high-risk patients;
2. Specify care transition intervention (including strategies for improving provider communication and patient activation); and
3. Provide a budget including a per-eligible-discharge rate for care transition service, an implementation plan with milestones and demonstrated prior experience with effectively managing care transition services and reducing readmissions.

For additional details regarding the CCTP and provider application process, please click [here](#).¹ Additionally, CMS has announced that it will be holding a Special Open Door Forum on May 5, 2011, for organizations that wish to learn more about CCTP.

Whether or not a hospital is interested in participating in the CCTP demonstration, hospitals should be taking steps to evaluate their readmission rates and reduce unnecessary readmissions. Another section of the PPACA (Sec. 3025) eventually will impose penalties on hospitals with poor readmission rates. Specifically, hospitals with risk-adjusted 30-day readmission performance in the lowest quartile will incur penalties against their total Medicare payments beginning in fiscal year 2013 (i.e., starting October 1, 2012). Penalties can be up to 1 percent in fiscal year 2013, increasing to 2 percent in 2014 and 3 percent in 2015. Three high volume/high cost conditions (heart attack, heart failure, pneumonia) will be tracked, with additional conditions to be added in 2015. Readmission rates will be publicly reported via the U.S. Department of Health and Human Services *Hospital Compare* website.² Exceptions are provided for critical access hospitals, post-acute providers and hospitals with a small number of applicable patient cases.

¹ <http://www.cms.gov/DemoProjectsEvalRpts/MD/itemdetail.asp?filterType=none&filterByDID=-99&sortByDID=3&sortOrder=descending&itemID=CMS1239313&intNumPerPage=10>

² <http://www.hospitalcompare.hhs.gov/>

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