



Iowa Department of Human Services

Terry E. Branstad
Governor

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Director

INFORMATIONAL LETTER NO.1147

DATE: July 13, 2012

TO: Iowa Medicaid Hospitals

ISSUED BY: Iowa Department of Human Services, Iowa Medicaid Enterprise (IME)

RE: Inpatient Readmissions within Seven Days for Same Condition

EFFECTIVE: September 1, 2012

As a cost savings initiative included in the department's and Governor's budget proposal, and approved by the Iowa Legislature, the Iowa Medicaid Enterprise (IME) will be implementing a cost-savings strategy to eliminate payments for readmissions to the same hospital within 7 days of discharge from that hospital, where the readmission was for the same condition or diagnosis. The specific legislative language was contained in Senate File 2336 and provided as follows: "[t]he department shall implement a hospital inpatient reimbursement policy to provide for the combining of an original claim for an inpatient stay with a claim for a subsequent inpatient stay when the patient is admitted within seven days of discharge from the original hospital stay for the same condition."

Previously, when a hospital discharged a patient too early and the patient was subsequently readmitted for the same condition, the hospital still received two full "diagnosis-related group" (DRG) payments for each separate admission. In some cases, if the patient was kept longer and discharge care coordination improved on the initial stay, there would be less likelihood of readmission and additional cost. Unnecessary hospital readmissions are a recognized cost and quality issue in the health care system generally. Like many payors, the IME is instituting a reimbursement structure for hospitals that encourages careful discharge planning and coordination for improved patient outcomes and corresponding cost-savings.

Therefore, effective for dates of discharge on and after September 1, 2012, and consistent with the legislative mandate noted above, when an inpatient is discharged from an acute care hospital and is readmitted as an inpatient to the same hospital within seven days for the same condition, a subsequent claim for an inpatient stay within seven days shall be combined with the claim for the original inpatient stay and payment shall be under a single DRG for both stays.

To implement this, the IME will automatically deny the second claim received within the seven day span for the same condition. In these cases, about three weeks after the second claim denies, the provider will notice that the first claim (the one that paid) will be adjusted by the IME to span the full date range of both claims and the information from both claims will be combined onto the adjustment. In many cases the net reimbursement for the IME adjusted hospital claim will be zero, as the combined DRG will support no further payment than what

the original claim paid. In some instances, however, combining both claims will result in a day outlier or cost outlier payment beyond the original payment that will be reimbursed on the adjustment IME executes.

The IME appreciates your continued partnership as we work to improve the claim processing service quality and accuracy. If you have questions, please contact the IME Provider Services Unit at 1-800-338-7909 or 515-256-4609 (local) or by email at imeproviderservices@dhs.state.ia.us.