

HUMAN SERVICES DEPARTMENT[441]

Adopted and Filed

Pursuant to the authority of Iowa Code section 249A.4, the Department of Human Services hereby amends Chapter 79, "Other Policies Relating to Providers of Medical and Remedial Care," Iowa Administrative Code.

This amendment changes the current threshold for inpatient hospital readmissions combined into a single claim from 7 days to 30 days, effective July 1, 2015. As a function of the amendment, the Iowa Medicaid program will combine claims for a given member's inpatient readmissions to the same hospital for the same conditions occurring within 30 days.

This amendment implements a cost-savings initiative that is part of the basis for the Department's budgets for state fiscal years 2016 and 2017, beginning July 1, 2015, as appropriated by the Iowa Legislature in 2015 Iowa Acts, Senate File 505. The change to a 30-day standard, which is the policy of the Medicare program, was incorporated into the Governor's budget as proposed to the Legislature and used by the Legislature's Conference Committee in estimating the needs to be met by the Medicaid budget. In both the Governor's and the Committee's budgets, it was assumed that the change would be effective for dates of service on or after July 1, 2015. Therefore, this amendment provides that the change will be effective for dates of service on or after July 1, 2015. To the extent necessary, the policy will be applied to hospital claims retroactively after the effective date of the amendment.

This amendment will result in cost savings over the current 7-day standard because it will allow a greater number of inpatient readmissions for the same condition to be combined with the original inpatient hospital stay.

Notice of Intended Action was published in the Iowa Administrative Bulletin as **ARC 2076C** on August 5, 2015. These amendments were also Adopted and Filed Emergency and published as **ARC 2075C** on the same date and became effective July 15, 2015. The Department received no comments during the comment period. These amendments are identical to those published under Notice of Intended Action and Adopted and Filed Emergency.

The Council on Human Services adopted these amendments on September 9, 2015.

This amendment does not provide for waivers because requests for waiver of any rule may be submitted under the Department's general rule on exceptions at 441—1.8(17A,217).

The Council on Human Services adopted this amendment on July 15, 2015.

After analysis and review of this rule making, no impact on jobs has been found.

This amendment is intended to implement Iowa Code section 249A.4.

This amendment became effective November 4, 2015, at which time the Adopted and Filed Emergency amendments are hereby rescinded.

The following amendment is adopted.

Amend subparagraph **79.1(5)“g”(5)** as follows:

(5) Inpatient readmissions within ~~seven~~ 30 days for same condition. ~~When~~ Effective for dates of service on or after July 1, 2015, when an inpatient is discharged or transferred from an acute care hospital and is readmitted as an inpatient to the same hospital within ~~seven~~ 30 days for the same condition, any claim for the subsequent inpatient stay shall be combined with the claim for the original inpatient stay and payment shall be under a single DRG for both stays.

Information on Proposed Rules

Name of Program Specialist Marty Swartz	Telephone Number 515-256-4651	E-mail Address mswartz@dhs.state.ia.us
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1.	<p>Give a brief summary of the rule changes:</p> <p>The rule changes being proposed are related to cost-savings initiatives that were part of the basis for the Department's budgets for state fiscal years 2016 and 2017, beginning July 1, 2015, as appropriated by the 2015 Iowa legislature. The rule changes the current threshold of inpatient readmissions within 7 days at the same hospital to inpatient readmissions within 30 days at the same hospital. As a function of the current rule language, the IME will combine claims for all inpatient readmissions for the same condition occurring within 30 days, as opposed to the previous threshold of 7 days.</p>
2.	<p>What is the legal basis for the change? (Cite the authorizing state and federal statutes and federal regulations):</p> <p>249A.4</p>
3.	<p>Why is the Department requesting these changes?</p> <p>This was a cost-savings initiative proposed by the IME, accepted by DHS management and the Governor's office, incorporated into the Governor's budget as proposed to the legislature, and used by the legislature's Conference Committee in estimating the need to be met by the Medicaid budget. At all stages, it was assumed that the change would be effective for dates of service on or after July 1, 2015.</p>
4.	<p>What will be the effect of this rule making (who, what, when, how)?</p> <p>This rule change will result in cost-savings over the current "7-day" standard, because it will disallow a greater number of inpatient readmissions for the same condition, based on the time period increasing from 7 days to 30 days.</p>
5.	<p>What are the potential costs and benefits of this rule making to the persons affected?</p> <p>Increasing the days from 7 to 30 will impact affected hospitals, by reducing the separate payment they would have received for however many inpatient admissions for a given member, for the same condition, within the 30 day period. Instead, however many such multiple admissions would now be combined into a single admission.</p>
6.	<p>What are the potential costs and benefits of this rule to the state?</p> <p>The benefit to the state will be reduced payments and, hence, cost-savings, by virtue of multiple admissions for a given member with the same condition within the 30-day period being combined into a single admission for that member.</p>
7.	<p>What are the likely areas of public comment or controversy?</p> <p>Hospitals will grumble. However, this "30-day readmission" policy is the same as is used by Medicare.</p>
8.	<p>Are there any alternatives to making these changes in rules that you considered and rejected?</p> <p>No, in light of direction from the Governor's office to pursue this cost-savings initiative and the corresponding budget approved by the legislature.</p>

<p>9. What will be the effect on other governmental bodies (federal or state agencies, county governments)? Not aware of any effect on other governmental bodies.</p>
<p>10. If rules do not contain waiver provisions, explain why: This amendment does not provide for waiver in specified situations because such may be requested under the department's general rule on exceptions at Iowa Admin. Code r. 441—1.8.</p>
<p>11. Do these rules have an impact on private-sector jobs and employment opportunities in Iowa? (If yes, describe nature of impact, categories and number of jobs affected, state regions affected, costs to employer per employee) No known impact on private-sector jobs and employment opportunities in Iowa.</p>

ADMINISTRATIVE RULE FISCAL IMPACT STATEMENT

Date: June 30, 2015

Agency: Human Services

IAC citation: 441 IAC 79.1(5)“g”(5)

Agency contact: Marty Swartz

Summary of the rule:

The rule changes being proposed are related to cost-savings initiatives that were part of the basis for the Department’s budgets for state fiscal years 2016 and 2017, beginning July 1, 2015, as appropriated by the 2015 Iowa legislature. The rule changes the current threshold of inpatient readmissions within 7 days at the same hospital to inpatient readmissions within 30 days at the same hospital. As a function of the current rule language, the IME will combine claims for all inpatient readmissions for the same condition occurring within 30 days, as opposed to the previous threshold of 7 days.

Fill in this box if the impact meets these criteria:

- No fiscal impact to the state.
- Fiscal impact of less than \$100,000 annually or \$500,000 over 5 years.
- Fiscal impact cannot be determined.

Brief explanation:

Fill in the form below if the impact does not fit the criteria above:

- Fiscal impact of \$100,000 annually or \$500,000 over 5 years.

Assumptions:

This analysis assumes a 7/1/15 effective date. The estimate is based on the assumption that the savings potential will more than double once the state moves from its current 7 day readmission threshold to the 30 day threshold.

Describe how estimates were derived:

When a provider discharges a patient too early and/or without proper support, and the patient is subsequently readmitted, the provider can currently receive two full DRG payments for claims that are more than 7 days apart. Under this strategy, the Department would remove the second full DRG payment by combining the two claims, where appropriate, to encourage better discharge planning to mitigate readmission. While this can result in longer hospital stays for a small number of patients, the state will realize savings as a result of preventing expensive readmissions.

Many payers including Medicare are instituting this type of incentive for hospitals for appropriate discharge planning and coordination to ensure appropriate follow up care. Iowa Medicaid implemented a 7 day readmission with the same DRG in SFY 2013 and realized about \$850,000 in total savings in SFY 2014. Under this proposal the time frame is moved to 30 days, which is consistent with Medicare, from an original and readmission claim to be combined resulting in one DRG payment. In many cases, the savings will equal the entire amount of the second hospital claim.

This change is estimated to decrease Medical Assistance expenditures for SFY 2016 as follows:

<u>Program SFY 2016</u>	<u>Total Funds</u>	<u>State Funds</u>
Medical Assistance	(\$1,100,000)	(\$500,000)
<i>Estimated Impact to the State by Fiscal Year</i>		
	<u>Year 1 (FY 2016)</u>	<u>Year 2 (FY 2017)</u>
Revenue by each source:		
General fund	(\$500,000)	(\$500,000)
Federal funds	(\$600,000)	(\$600,000)
Other (specify):		
TOTAL REVENUE	<u>(\$1,100,000)</u>	<u>(\$1,100,000)</u>
Expenditures:		
General fund	(\$500,000)	(\$500,000)
Federal funds	(\$600,000)	(\$600,000)
Other (specify):		
TOTAL EXPENDITURES	<u>(\$1,100,000)</u>	<u>(\$1,100,000)</u>
NET IMPACT	<u>\$0</u>	<u>\$0</u>
<input checked="" type="checkbox"/> This rule is required by state law or federal mandate. Please identify the state or federal law: The Iowa Legislature has approved this change by incorporating the projected savings into the Department's budget for state fiscal years 2016 and 2017, effective July 1, 2015.		
<input type="checkbox"/> Funding has been provided for the rule change. Please identify the amount provided and the funding source:		
<input checked="" type="checkbox"/> Funding has not been provided for the rule. Please explain how the agency will pay for the rule change: The SFY16 Medical Assistance appropriation has been reduced in anticipation of these savings.		
Fiscal impact to persons affected by the rule:		
Increasing the readmission threshold from 7 to 30 days will impact affected hospitals by reducing the separate payment they would have received for inpatient admissions within the 30 day period. Instead, these admissions will now be combined into a single admission.		
Fiscal impact to counties or other local governments (required by Iowa Code 25B.6):		
There will be no impact to counties or local governments unless they provide Medicaid services that are subject to this rule change. If so, they may experience a reduction in Medicaid reimbursement.		
Agency representative preparing estimate: Joe Havig		
Telephone number: 515-281-6022		