Working Paper 4 of the Clinically Appropriate and Cost Effective Placement (CACEP) project is an analysis of hospital readmissions. The paper examines the hospital readmission frequency and associated Medicare episode payments across three episode types: post-acute, pre-acute and non-post-acute care (community-based). All hospital readmissions are analyzed within the context of patients’ chronic conditions and demographic characteristics, as well as the impact of hospitalizations on patient pathways, pointing the way toward the eventual development of risk-adjusted readmission measures.

KEY TAKEAWAY: Hospital readmissions increase Medicare episode payments by at least 100 percent.

**What Does This Mean for Home Health Care?**

- There is great opportunity for home health to provide clinically appropriate care management to patients to improve continuity of care and reduce avoidable readmissions across all episode types.
- Some pre-acute and post-acute care patients who reside in the community and are at high risk of rehospitalization may benefit from better ongoing care management, including home health care services.
- Among non-post-acute care (community-based) patients living with low-severity primary chronic conditions, Medicare could achieve significant savings by preventing avoidable hospitalizations.
- If home health providers can treat patients longer and provide chronic disease management services, there may be opportunity to keep non-post-acute care patients from ever entering the hospital.

**Post-Acute Care Episodes**

Patients with more severe primary chronic conditions tend to have more readmissions

<table>
<thead>
<tr>
<th>Condition</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHF • COPD</td>
<td>33.3%</td>
</tr>
<tr>
<td>Diabetes</td>
<td>27.0%</td>
</tr>
<tr>
<td>Hip Fracture</td>
<td>16.9%</td>
</tr>
<tr>
<td>Arthritis</td>
<td>13.5%</td>
</tr>
</tbody>
</table>

**Medicare episode payments more than DOUBLE when an episode contains at least one readmission**

- Without Readmission: $15,335
- With Readmission: $33,926

**Percentage of episodes across all settings that contain at least one hospital readmission**

- 22.4%

**Distribution of Episodes with Readmissions by Antecedent Setting**

- Community: 62%
- Home Health Aide (HHA): 14%
- Skilled Nursing Facility (SNF): 13%
- Other: 11%

**Average Payment Per Episode (Re)admissions vs. No (Re)admissions**

- Without (Re)admission: $15,335
- With (Re)admission: $33,926

**Percentage of episodes across all settings that contain at least one hospital readmission**

- 22.4%