Hospital-Acquired Condition Reduction Program

Educational Briefing for Suppliers and Service Providers

Executive summary

The Hospital-Acquired Condition (HAC) Reduction Program adjusts hospital inpatient Medicare payments based off performance on a set list of patient safety measures and hospital-associated infections. It is one of three mandatory pay-for-performance (P4P) programs that the Affordable Care Act introduced and is managed by the Center for Medicare and Medicaid Services (CMS). The program aims to improve patient safety and reduce common, but avoidable, conditions that patients can contract during hospital stays by measuring a hospital's performance on seven metrics and adjusting payment based on the hospital's scores compared to the national average. The quartile of hospitals with the worst performance receives a 1% penalty on their inpatient Medicare revenue.

Why is the HAC Reduction Program a key issue for providers?

The HAC Reduction Program, in tandem with other P4P programs (the Value-Based Purchasing (VBP) and Hospital Readmissions Reduction Programs), incentivizes hospitals to deliver higher quality care. Over time, the program has included more conditions, raising the stakes for hospital performance. Moreover, while hospitals' financial adjustment is based on historical performance, CMS also evaluates them relative to their peers, so improvement on HAC measures one year does not exempt hospitals from a penalty the next year.

Reducing infection prevalence makes good business sense for hospitals, as HACs often lead to increased length of stay, mortality rates, and total costs. On top of those drivers, most conditions included in the HAC program are also included within the VBP program, doubling providers' incentive to manage infection rates.

Metrics considered in HAC Reduction Program

Metric	FY 2015	FY 2016	FY 2017 and on
PSI-90[1]	✓	✓	✓
CLABSI[2,3]	✓	✓	✓
CAUTI[4]	✓	✓	✓
SSI[5] – Colon		✓	✓
SSI – Abdominal Hysterectomy		✓	✓
MRSA[6]			✓
C. Diff[7]			✓

How does the HAC Reduction Program work?

The HAC Reduction Program evaluates two categories of hospital safety metrics:

1) *A single patient safety composite called PSI-90* – This composite includes 10 component safety indicators, including pressure ulcer rate, patient falls, perioperative hemorrhage/hematoma rate, postoperative sepsis rate, and more.

2) *Hospital-associated infection rate* – These metrics measure major infections tracked by the Centers for Disease Control and National Health Safety Network. In FY 2015, the domain contained only two measures. By FY 2017, that number grew to six and has remained constant ever since (see table above).

CMS calculates providers HAC scores by aggregating hospital performance on each metric, and comparing that to the national average. Hospitals that score in the bottom 25% when compared to the national average receive a 1% penalty on their inpatient Medicare revenue. Prior to 2020, CMS weighted PSI-90 at 15% of a hospital's final score, while the remaining infections were combined and weighted at 85% of the final HAC score. CMS has since terminated that system, and now equally weights each HAC metric at 16.7%.

Conversation starters with the hospital C-suite

1. How does your Hospital-Acquired Condition rate compare to your peers?
2. What programs, processes, or technologies do you have in place to reduce HACs?
3. How do you ensure that all staff are mindful of HAC prevalence and prevention efforts?

1) Patient safety indicator. 2) Central-line associated blood stream infection. 3) Starting in FY 2019, includes pediatric/adult medical ward, surgical ward, med/surg ward, and adult/ped ICU. 4) Catheter-associated urinary tract infection. 5) Surgical site infection. 6) Methicillin-resistant Staphylococcus aureus. 7) Clostridium difficile colitis.

Source: Advisory Board research and analysis.

How does the HAC Reduction Program affect providers?

Clinical

As Americans age and the prevalence of chronic diseases increases, providers have to manage a population that's more prone to complications and adverse events. Thus, it is important for clinical staff to develop and ensure compliance with hospital protocols aimed at limiting infections. For example, physicians and nurses may monitor excessive catheterization and focus on appropriate catheter insertion and removal to decrease risk of infection. Additionally, clinical staff must remain up-to-date on regulations related to the HAC Reduction Program, as CMS can change the number and type of safety measures they evaluate.

Financial

Hospital-acquired infections, which affect five to ten percent of patients each year, result in $45 billion of additional health care costs. In addition, the emergence of an older and sicker population has led to a growing prevalence of HACs. Through the HAC Reduction Program, CMS holds hospitals accountable for the mounting cost of these preventable infections. Within the program, the worst quartile of HAC performers are subject to a 1% penalty on their inpatient Medicare reimbursement. Since the program was rolled out, more than one third of hospitals have been penalized at least once. In addition, because some HAC Reduction Program measures overlap with the VBP Program, providers that fail to maintain low infection rates may be penalized within both programs.

DATA SPOTLIGHT

1%

Penalty on inpatient Medicare reimbursement for hospitals in the bottom quartile of HAC performance

786

Number of hospitals penalized through the HAC reduction program in FY 2020

Operational

To succeed under the HAC Reduction Program, providers must ensure accurate, detailed, and timely clinical documentation. Hospital staff must ensure they properly code patients for illnesses present on admission because failure to do so could result in these non-coded complications eventually being classified as HACs. From a staffing perspective, providers may need to expand their Infection Control Personnel (ICP) to help combat HACs. Inadequate ICP staffing is a considerable issue for hospitals as ICPs are responsible for a number of crucial tasks ranging from staff education about antibiotic resistance to infection metric reporting. Emphasis on sterilizing "high risk, high touch" objects (e.g., phones, keyboards, and reusable tools) is also paramount. Finally, providers must ensure all environmental service providers, whether employed by the hospital or a third party, are included in hygiene education efforts and understand their role in boosting patient safety.

How might the HAC Reduction Program impact provider-supplier sales relationships?

While HACs are a longstanding issue, many hospitals are now looking for more inventive strategies to improve patient safety.

Innovative technologies will be in high demand.

- Hospitals will seek out partners whose products and services can fight infections and improve cleanliness. This creates an opportunity for suppliers and service providers to add a value statement that resonates with the majority of their customers.

Enhanced training and care standardization will be critical.

- Providers may be interested in working with suppliers and service providers that offer staff education or advanced training like online courses about proper central line insertion or checklists that ensure thorough sanitization of hospital equipment.

Providers will focus on promoting hygienic practices throughout their organization.

- Increasing hand washing compliance can vastly decrease HAC occurrence. Hospitals may add sinks, antibacterial solution dispensers, or non-irritating soaps in order to ensure staff maintain proper hygiene protocols. Some institutions may also be interested in using IT services to compile and analyze hygiene practices.

Additional Advisory Board research and support are available.

For more information on regulatory updates to the HAC Reduction Program, please view our webconference on the Medicare Hospital Inpatient Pay-for-Performance Update. We also encourage you to visit our Pay-for-Performance File to assess provider performance within the HAC Reduction Program.

This report does not constitute professional legal advice. Advisory Board strongly recommends consulting legal counsel before implementing any of the practices contained in this report or making any contractual decisions regarding suppliers and providers.

Sources: CMS.gov; Advisory Board research and analysis.