



New Rule Will Bar Medicaid Payments for Health Care Acquired Conditions

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The Centers for Medicare and Medicaid Services (CMS) has issued a final rule that will deny Medicaid payments to providers delivering services in the treatment of preventable healthcare-acquired illnesses or injuries. Similar to the existing policy in effect for Medicare “never events” which has been in place since 2008, the rule became effective on July 1, 2011, although states will have the option to implement it over the next year by July 1, 2012. The rule implements Section 2702 of the Patient Protection and Affordable Care Act of 2010 (PPACA).

The rule prohibits federal payments to states for any amounts spent providing medical assistance for “health care-acquired conditions” (HCAC). Essentially, payments are precluded for any amounts under the Medicaid program for conditions that are reasonably preventable. An example is where a hospital-acquired condition is not present upon the patient’s admission, but is later reported as a secondary diagnosis associated with the hospitalization.

The rule creates Provider Preventable Conditions (PPCs) as an umbrella term for hospital and non-hospital conditions identified for nonpayment. PPCs are defined with two distinct categories: HCACs and Other Provider Preventable Conditions (OPPCs). HCACs apply only to hospital inpatient settings, while OPPCs apply to inpatient settings (including nursing homes) and outpatient settings. The states’ PPC lists must include, at a minimum, the HCACs identified under Medicare and any subsequent updates or revisions as authorized by CMS. No reduction in payment for an OPPC will be imposed if the condition existed for a particular patient prior to the initiation of treatment by the particular provider. In addition, prohibitions on payments for HCACs cannot result in loss of access to care or services by Medicaid beneficiaries.

States will be allowed, with CMS’s approval, to expand the list of PPCs and identify the settings in which Medicaid may or may not deny payment. Criteria that must be met to expand the list include that the condition must be (1) identified in the State plan, (2) reasonably preventable through application of evidenced-based guidelines, (3) of negative consequence to the beneficiary, (4) auditable, and (5) at a minimum include the following three events: surgery on the wrong patient, wrong surgery on a patient, and wrong site surgery on a patient.

“These steps will encourage health professionals and hospitals to reduce preventable infections, and eliminate serious medical errors,” says CMS Administrator Donald M. Berwick, M.D. “As we reduce the frequency of these conditions, we will improve care for patients and bring down costs at the same time.”

The rule is intended to lower states’ Medicaid costs. CMS projects a cost savings impact on the Medicaid program of \$2 million for fiscal year 2011 (\$1 million for the federal share and \$1 million for the states’ share), with an aggregate cost savings of \$35 million (\$20 million for the federal share and \$15 million for the states’ share) for fiscal years 2011 through 2015.