

ABSTRACT

Using FY2026 data from 2,833 U.S. hospitals, we examine three CMS programs simultaneously. We find three systemic failures: infection metrics miss mortality, readmission reductions shift rather than reduce burden, and multiple penalties compound worse outcomes. Together, these reveal a Compliance Trap the system rewards measured performance, not actual improvement.

THE 3 CMS PENALTY PROGRAMS

HRRP Hospital Readmission Reduction Program
Penalizes hospitals when too many patients return within 30 days of discharge. Measures readmission rates for conditions such as heart failure, pneumonia, AMI, and COPD

HAC Hospital-Acquired Condition Program
Penalizes hospitals with high rates of preventable infections and complications. Measures hospital acquired infections using composite scores

VBP Value-Based Purchasing Program
Adjusts hospital payments based on overall quality and patient experience
Measures satisfaction, clinical outcomes, safety, and efficiency

DATA & METHODOLOGY

2,833
Hospitals

9
OLS Models

96
Variables

Source: FY2026 CMS Hospital Quality Reporting data. 11 merged public-use files at the hospital level. Final sample: 2,833 U.S. acute care hospitals after excluding those missing core HRRP or HAC variables.

Design: OLS regression with HC3 heteroskedasticity robust standard errors. Models run separately for each research question. Outcomes include 30-day mortality, patient satisfaction (HCAHPS), and patient safety (PSI-90).

Framework: Three-model attenuation approach.

M1: Unadjusted
M2: + ownership type and hospital region
M3: + CMS star rating

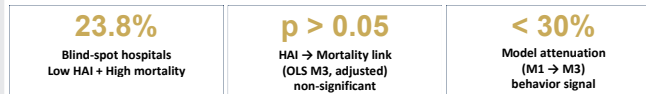
Low attenuation (<30%) indicates behavioral response. High attenuation (>40%) indicates quality selection.

Cross-RQ: 155 hospitals (5.5%) were flagged across all three failure criteria. These hospitals show lower performance, with a mean CMS star rating of 2.23 compared to the system average of 3.07. 56.8% are concentrated in the South.

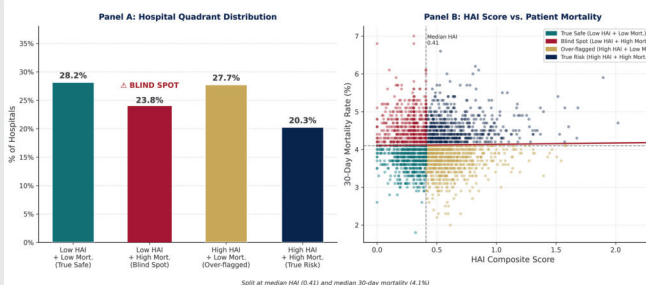
Software: Python 3 using statsmodels, pandas, scipy, and matplotlib.

RQ1: THE INFECTION ILLUSION

Infection metrics fail to capture survival



23.8% of U.S. acute care hospitals score below the median on infection metrics while posting above-average 30-day mortality - hospitals that look clean on paper but are failing their patients.

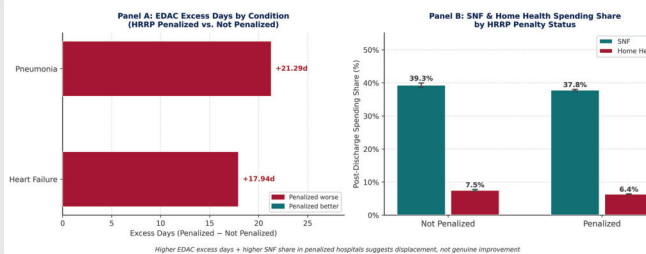


RQ2: READMISSION DISPLACEMENT

Readmissions reduced without reducing burden



Hospitals reduced measured readmissions without reducing total care burden. The shift occurs through post-discharge routing outside CMS measurement.



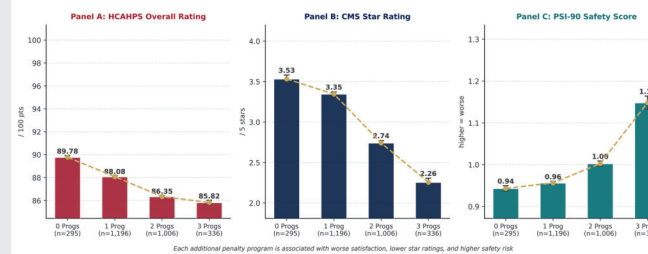
RQ3: MULTI-PROGRAM CONVERGENCE

More penalties lead to worse outcomes



47.4% of U.S. hospitals face 2+ simultaneous CMS penalties

Each additional penalty is associated with worse outcomes in patient satisfaction, quality rating, and safety



POLICY RECOMMENDATIONS FOR CMS

Supplement HAC with Mortality Co-Monitoring

Rewarding clean metrics over survival manufactures the illusion of quality, not quality itself.

Incorporate EDAC as Co-Primary HRRP Metric

Readmissions are falling because care is being redirected, not improved. Count all post-discharge burden.

Implement Multi-Program Penalty Caps

Stacked penalties become structural disadvantage, compressing the ability to improve rather than correcting performance.

CONCLUSION & FUTURE DIRECTIONS

CMS quality programs reward metric performance, not genuine improvement. Infection scores miss mortality. Readmission penalties shift care rather than reduce burden. Multiple penalties correlate with worse outcomes. Hospitals aren't cheating. They're rational, optimizing what gets measured. The flaw is in what CMS measures. Until incentives align with real patient outcomes, hospitals will keep looking better without getting better.

REFERENCES

- Centers for Medicare & Medicaid Services. (2026). FY2026 Hospital Quality Reporting Data
- Centers for Medicare & Medicaid Services. (n.d.). Hospital Readmissions Reduction Program (HRRP)
- Centers for Medicare & Medicaid Services. (n.d.). Hospital-Acquired Condition (HAC) Reduction Program
- Centers for Medicare & Medicaid Services. (n.d.). Hospital Value-Based Purchasing (VBP) Program