CMS Issues Final Rule for Acute and Long Term Care Hospital Inpatient Prospective Payment Policies and Fiscal Year 2013 Rates

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On August 1, the Centers for Medicare & Medicaid Services (CMS) issued a final rule that, among other things, updates payment policies and rates for acute care hospitals paid under the Inpatient Prospective Payment System (IPPS) in fiscal year (FY) 2013. The rule also updates payment policies and rates for long term care hospitals paid under the Long-Term Care Hospital Prospective Payment System (LTCH PPS) for FY-end 2013. The rule will be published in the Federal Register on August 30.

Among the highlights of the final rule with respect to the IPPS are the following:

Increased Payments for Acute Care Hospitals
According to CMS, the total Medicare operating payments to acute care hospitals for inpatient services occurring in FY 2013 will increase by $2 billion, or 2.3%, compared with FY 2012, due to a 2.8% increase in payment rates, together with other policies adopted in the final rule.

Hospital Inpatient Quality Reporting Program
The number of quality measures under the hospital Inpatient Quality Reporting (IQR) Program will be reduced from seventy-two to fifty-nine for FY 2015 payment determinations, and to sixty for FY 2016 payment determinations. CMS states that these changes are intended to reduce the burden on hospitals, create a more streamlined measure set, and improve care through increased focus on perinatal care, surgical complications for hip and knee replacement procedures, readmissions, and care transitions.

Hospital Value-Based Purchasing Program
The Hospital Value-Based Purchasing (VBP) Program, established by the Affordable Care Act, provides for value-based incentive payments for hospitals that meet certain performance standards. CMS states that the VBP Program is intended to transform Medicare from a passive payor for services to a prudent purchaser of services, paying not just for quantity of services but for quality as well. The first year in which incentive payments will be made under the VBP is FY 2013. The final rule adds several additional measures that will affect payments under VBP Program in later years. One of these measures, which will affect payments beginning in FY 2015, is the Medicare spending per beneficiary by the hospital, including all Part A and Part B payments from three days prior to an inpatient hospital admission through thirty days post-discharge (with certain exclusions). CMS also finalized a review and corrections process that will allow hospitals to correct their performance data before that data is made public on the Hospital Compare website. The rule also provides for an administrative appeals process that will give hospitals an opportunity to appeal the calculation of the performance assessment for their total performance score for the VBP Program.

Hospital Readmissions Reduction Program
In the final rule for the FY 2012 IPPS, CMS finalized many of the policies for the Hospital Readmissions Reduction Program, which calls for payment reductions for certain hospitals that have excess readmissions for certain selected conditions for discharges on or after October 1. These conditions are acute myocardial infarction (or heart attack), heart failure, and pneumonia. The final rule for FY 2013 addresses issues under the Hospital Readmissions Reduction Program that were not addressed in the FY 2012 final rule. The final rule sets forth the methodology and the payment adjustment factors that CMS will use to account for excess readmissions for these three conditions. CMS will provide confidential reports to hospitals regarding their readmissions, and hospitals will have thirty days to review these reports and to submit corrections.

Inclusion of Labor and Delivery Days in Disproportionate Share Hospital and Indirect Medical Education Adjustments

The final rule makes a change regarding the counting of beds for both the Disproportionate Share Hospital (DSH) and Indirect Medical Education (IME) adjustments. Over the years, CMS' position on whether labor and delivery days and beds should be counted for the DSH and IME adjustments has shifted. Under the final rule, all labor and delivery beds and patient days will be included in the counts of available beds for both the DSH and IME calculations. This change could potentially enable some hospitals to meet the threshold for DSH payments, but could have the effect of decreasing IME payments for certain hospitals.

Postponement of Implementation for Policy Regarding Routine Hospital Services Furnished Under Arrangements
In the final rule for the FY 2012 IPPS, CMS set forth a change in policy to preclude hospitals from furnishing routine services under arrangements with another entity unless the services are provided in the hospital in which the patient has been admitted as an inpatient. CMS stated that in most cases that have come to its attention, the services in question were being provided at another hospital that is co-located with the hospital that is excluded from IPPS. Under the policy set forth in the FY 2012 final rule, the only services that could be furnished under arrangements outside of the hospital are therapeutic and diagnostic items and services, and routine services could not be furnished outside of the hospital under arrangements. In the final rule, CMS postponed the implementation date for this policy to cost reporting periods beginning on and after October 1, 2013.

Among the highlights of the final rule with respect to the LTCH PPS and other issues are the following:

Increased Payments for LTCHs
According to CMS, the total Medicare operating payments to long term care hospitals for inpatient services occurring in FY 2013 will increase by about $92 million, or 1.79%, compared with FY 2012.

Quality Reporting Program for Inpatient Psychiatric Facilities
The final rule establishes a new quality data reporting program for inpatient psychiatric hospitals and psychiatric units of hospitals (IPFs). There is an initial set of six "process of care" quality measures for reporting in FY 2013. These measures focus on administration of multiple antipsychotic medications, use of physical restraints, hours of patient seclusion, creation of post-discharge continuing care plans, and transmission of those plans to subsequent care providers after discharge. IPFs that do not comply with the quality data submission requirements will have their payments under the Inpatient Psychiatric Facility Prospective Payment System (IPF PPS) reduced by 2.0 percentage points for FY 2014.

CMS issued a press release and a fact sheet to accompany the rule's release.