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# Medicare Long-Term Care Hospital Prospective Payment System

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## Final Payment Rule Brief provided by the Wisconsin Hospital Association

Program Year: FFY 2020

### Overview and Resources

On August 2, 2019 the Centers for Medicare and Medicaid Services (CMS) released the federal fiscal year (FFY) 2020 final payment rule for the Medicare Long-Term Care Hospital Prospective Payment System (LTCH PPS). The final rule reflects the annual update to the Medicare fee-for-service (FFS) LTCH payment rates and policies.

A copy of the resources related to the LTCH PPS is available on the CMS website at <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/LongTermCareHospitalPPS/index.html>.

A version of the rule is available at <https://www.federalregister.gov/d/2019-16762>.

Program changes finalized by CMS are effective for discharges on or after October 1, 2019, unless otherwise noted. CMS estimates the overall economic impact of this final payment rate update to be an increase of \$43 million in aggregate payments to LTCHs in FFY 2020 over FFY 2019.

**Note:** Text in italics is extracted from the August 16, 2019 *Federal Register (FR)*.

### LTCH Payment Rate

*FR pages 42428 - 42430, 42445 – 42447, 42641*

Only LTCH discharges that meet certain clinical criteria (detailed below) will continue to be paid at the standard LTCH PPS payment rates. LTCH discharges that do not meet the established clinical criteria will continue to be paid the lower site-neutral payment rates (with some specified exclusions), which are based on the IPPS rates and are the lesser of either the IPPS comparable per diem amount, including any outlier payments, or 100 percent of the estimated cost of the case. The IPPS comparable per diem payment amount is capped at the lower of the IPPS comparable per diem amount and the full comparable amount to what would otherwise be paid under IPPS.

CMS uses the following criteria in order to identify cases eligible for a standard LTCH PPS payment:

- The LTCH discharge does not have a principal diagnosis relating to a psychiatric diagnosis or to rehabilitation;
- A case must be “immediately discharged” from an inpatient PPS hospital. This immediate discharge will be evidenced by the dates of discharge and admission to the LTCH; and
  - One or both of these criteria:
    - Must receive at least three days of care in an ICU or CCU during the prior hospital stay. CMS will use the full set of ICU and CCU revenue codes when counting a patient’s ICU and CCU days during the prior acute care hospital stay; and/or
    - The patient received at least 96 hours of ventilator services in the LTCH stay.

For calculating whether an LTCH or LTCH satellite meets the existing greater than 25-day average length of stay requirement, cases paid at the site neutral rate and those paid by Medicare Advantage are excluded.

The original two-year transition for the site-neutral payment rate in which site-neutral cases were paid a 50/50 blend of the site-neutral rate and LTCH payment rate concluded. However, the Bipartisan Budget Act of 2018

extended the transitional blended payment rate for site neutral payment rate cases for an additional two years, FFY 2018 and FFY 2019. Therefore, FFY 2020 LTCH site neutral cases will be paid at the full site neutral payment rate, rather than the transition blend.

In addition, the Bipartisan Budget Act reduces the IPPS comparable amount in the site neutral payment rate calculation by 4.6% for FFYs 2018 – 2026.

Incorporating the final updates and the effects of budget neutrality adjustments, the table below lists the full LTCH standard federal rate for FFY 2020 compared to the rate currently in effect:

	Final FFY 2019	Final FFY 2020	Percent Change
<b>LTCH Standard Federal Rate</b>	<b>\$41,558.68</b>	<b>\$42,677.64</b> (proposed at \$42,950.91)	<b>2.69%</b> (proposed at 3.35%)

The table below provides details of the final updates for the LTCH standard federal rate for FFY 2019:

	LTCH Rate Updates and Budget Neutrality Adjustments
Marketbasket Update	<b>+2.9%</b> (proposed at +3.2%)
ACA Pre-Determined Reduction	<b>-0.4 percentage points</b> (proposed at -0.5 percentage points)
Wage Index Budget Neutrality Adjustment	<b>1.0020203</b> (proposed at 1.0064747)
Budget Neutrality Adjustment (as a result of Elimination of 25- percent Threshold)	<b>0.999858</b> (proposed at 0.999856)
<b>Overall Rate Change</b>	<b>2.69%</b> (proposed at 3.35%)

## Adjustment for LTCH Discharges That Do Not Meet the Discharge Payment Percentage

*FR pages 42439 - 42445*

The LTCH discharge payment percent is the percent of all Medicare FFS discharges that are paid the standard LTCH payment rate, and not the site neutral payment rate.

During or after FFY 2021, the IPPS equivalent payment rate will be mandated for ALL discharges for LTCHs that fail to meet the applicable discharge threshold in FFY 2020 and beyond (less than 50% of patients for whom the standard LTCH PPS payment is made).

For cost reports beginning on or after October 1, 2019, CMS is required to provide notice to any LTCH that has a LTCH discharge payment percentage of less than 50%. Since FFY 2016, CMS has been providing each LTCH their discharge payment percentage for cost reporting periods during or after FFY 2016. An LTCH is notified of their discharge payment percentage 5 to 6 months after the end of the cost reporting period in order to include all claims for the period. The payment adjustment for LTCHs that do not meet the applicable discharge threshold is made for the first cost reporting period after the discharge payment percentage calculation is complete and the threshold was not met, and the LTCH has been notified by CMS.

The law includes a reinstatement process for LTCHs that fail to meet the required discharge threshold percentage in a particular year. CMS will stop the penalty for those who did not meet the 50% threshold for the first cost reporting period following a calculation of the discharge payment percentage that meets the threshold. If an LTCH fails to meet the threshold after being reinstated, the LTCH is again subject to a payment adjustment for the following cost reporting period.

In addition, CMS is adopting a special probationary reinstatement process for unusual circumstances, such as a discharge payment percentage not fully representing an LTCH's typical mix of cases. With this probationary process, the payment adjustment can be delayed if the LTCH's discharge payment percentage is at least 50% for at least 5 consecutive months of the 6 month period immediately before the beginning of the cost reporting period in which the adjustment would apply. The LTCH would ultimately not be subject to payment adjustment for the cost reporting period if their discharge payment percentage is at least 50% for that cost reporting period.

## **25-Percent Threshold Policy**

*FR pages 42446*

In the FFY 2019 final rule, CMS finalized the removal of the 25% threshold policy in a budget neutral manner because CMS believes it is no longer an appropriate mechanism to ensure that an LTCH does not act as a step-down unit of an IPPS hospital. This will reduce unnecessary regulatory burden. CMS only applies the budget neutrality adjustment to the LTCH PPS standard Federal payment rate because payments made under the site neutral payment rate would be unaffected by the policy. However, because of the transitional blend in FFY 2019, any adjustment applied to the LTCH PPS standard Federal payment rate also needed to be applied to the LTCH PPS standard Federal rate portion of payments that affect site neutral payment rate cases.

For FFY 2019, CMS adopted a temporary budget neutrality factor of 0.990878. CMS also adopted a temporary budget neutrality adjustment of 0.990737 (which will likely be rolled back in FFY 2021) for FFY 2020 and a permanent budget neutrality adjustment of 0.991249 for FFY 2021.

In the FFY 2020 final rule, CMS is removing the temporary FFY 2019 budget neutrality factor by applying a factor of  $(1/0.990878)$  to the rate and applying a temporary FFY 2020 factor of 0.990737. In total, CMS is adopting a one-time budget neutrality factor of 0.999858  $(1/0.990878 \times 0.990737)$  to the rate.

## **Wage Index Labor-Related Share, CBSA and COLA**

*FR pages 42641 - 42645*

CMS did not adopt any major changes for the calculation of wage indexes for LTCHs. As has been the case in prior years, CMS will use the most recent inpatient hospital wage index: the FFY 2020 pre-rural floor and pre-reclassified hospital wage index, to adjust payment rates under the LTCH PPS for FFY 2020.

The wage index, which is used to adjust payment for differences in area wage levels, is applied to the portion of the LTCH standard federal rate that CMS considers to be labor-related. For FFY 2020, CMS is finalizing an increase in the labor-related share from 66.0% for FFY 2019 to 66.3% (proposed at 66.0%) for FFY 2020.

CMS is also adopting a wage index budget neutrality factor of 1.0020203 for FFY 2020.

## **Updates to the MS-LTC-DRGs**

*FR pages 42430 -42439*

Each year, CMS updates the MS-LTC-DRG classifications and relative weights. These updates are made to reflect changes in treatment patterns, technology, and any other factors that may change the relative use of hospital resources. Although the DRGs used to classify patients under the LTCH PPS are the same as those used under the inpatient PPS, the relative weights are different for each setting. The MS-LTC DRG relative weights are determined using only data from LTCH discharges that meet the criteria for exclusion from the site neutral payment rate (that is, LTCH PPS standard Federal payment rate cases). CMS will continue to use its existing methodology to determine the MS-LTC-DRG relative weights.

CMS is providing a cross-walk of MS-LTC-DRGs with no-volume to their final MS-LTC-DRGs at: <https://www.cms.hhs.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/index.html>.

## **HCO Payments**

*FR pages 42645 - 42649*

High cost outlier (HCO) payments were established under the LTCH PPS to provide additional payments for very costly cases. Outlier payments are made if the estimated cost of the case exceeds the payment for the case plus a fixed-loss amount. Costs are determined by multiplying the facility's overall cost-to-charge ratio (CCR) by the allowable charges for the case. When a case qualifies for an outlier payment, CMS pays 80% of the difference between the estimated cost of the case and the fixed-loss amount as a separate outlier payment, in addition to the traditional DRG payment.

If an LTCH's CCR is higher than the LTCH Total CCR ceiling, the LTCH is assigned the statewide average CCR, which would then be used in the HCO formula. CMS is adopting a Total CCR ceiling of 1.253 (proposed at 1.247) for FFY 2020 for both LTCH PPS standard Federal payment rate cases and site neutral payment rate cases.

CMS adopted two separate high-cost outlier targets beginning in FFY 2016 – one for LTCH PPS standard Federal payment rate cases and one for site neutral payment rate cases. Under the two-tiered system, there is an 8.0% high-cost outlier target for standard LTCH PPS cases using only standard LTCH cases. For site neutral cases, CMS uses a 5.1% target, the same as the operating IPPS target. CMS also uses the IPPS fixed loss amount for site neutral cases. CMS is adopting a decrease to the threshold for cases paid under the LTCH standard Federal payment rate from \$27,121 in FFY 2019 to \$26,778 (proposed at \$29,997) in FFY 2020. CMS is also adopting a fixed-loss threshold for cases paid under the site neutral payment rate increase from \$25,743 in FFY 2019 to \$26,473 (proposed at \$26,994) in FFY 2020. This final fixed-loss amount for site-neutral payment rate cases is the same as the FFY 2020 final IPPS fixed-loss amount.

CMS is adopting its proposal to continue to make an additional HCO payment for the cost of an LTCH PPS standard Federal payment rate case that exceeds the HCO threshold amount that is equal to 80 percent of the difference between the estimated cost of the case and the outlier threshold (the sum of the fixed-loss amount and the amount paid under the SSO policy) for both LTCH Standard cases and site neutral cases.

To ensure that estimated HCO payments payable to site neutral payment rate cases would not result in any increase in aggregated payments, CMS is adopting its proposal to apply a budget neutrality adjustment that reduces site neutral payment rate payments by 5.1% (as proposed) in FFY 2020 (same as FFY 2019). CMS will apply the 5.1% only to the non-HCO portion of the site neutral rate payment amount.

## **SSO Payments**

*FR page 42430*

Short-stay outlier (SSO) payments were established under the LTCH PPS to ensure that LTCH payments, which are predicated on long lengths of stay (LOS), are not applied to cases where the patient may have received only partial treatment at a LTCH. A SSO case is a covered length of stay that is less than or equal to 5/6<sup>th</sup> of the geometric average length of stay for a specific MS-LTC-DRG. Generally, the average length of stay for an LTCH is 25 days.

LTCH PPS standard rate SSO cases (including the portion of site neutral cases that are paid at LTCH PPS standard due to the transitional blend) are paid a single blended payment adjustment amount composed of the IPPS per diem amount and 120 percent of the LTCH PPS per diem amount. As the length of stay increases, the amount paid at the IPPS per diem would decrease and the amount paid at 120 percent of the LTCH PPS per diem would increase. The maximum payment would be set to the full LTCH PPS standard Federal payment rate. The SSO policy does not apply to site neutral payment cases.

If a patient is hospitalized for less than or equal to 5/6<sup>th</sup> of the geometric average length of stay for a specific MS-LTC-DRG, but still incurs extraordinarily high costs, an LTCH discharge can qualify as a SSO case as well as a HCO case. An SSO that is also an HCO case would receive an HCO payment of 80 percent of the difference between the estimated cost of the case and the outlier threshold.

CMS did not adopt any major changes to the SSO policy.

## Updates to the LTCH Quality Reporting Program (LTCH QRP)

*FR pages 42524 - 42591*

Beginning in FFY 2014, the applicable annual update is reduced by two percentage points for any LTCH that does not meet the QRP requirements.

The following table lists the previously finalized LTCH QRP measures and applicable payment determination years.

Measure	NQF #	Finalized Cross-Setting Measure	Payment Determination Year
NHSN Catheter-Associated Urinary Tract Infection (CAUTI) Outcome Measure	#0138		FFY 2015 and beyond
NHSN Central Line-Associated Blood Stream Infection (CLABSI) Outcome Measure	#0139		FFY 2015 and beyond
Percent of Residents or Patients with Pressure Ulcers That Are New or Worsened (Short-Stay) <b>(removed after this year)</b>	#0678	Yes	FFY 2018-FFY 2020
Percent of Residents or Patients Who Were Assessed and Appropriately Given the Seasonal Influenza Vaccine (Short-Stay) <b>(removed after next year)</b>	#0680		FFY 2016-FFY 2021
Influenza Vaccination Coverage among Healthcare Personnel	#0431		FFY 2016 and beyond
NHSN Facility-Wide Inpatient Hospital-Onset Clostridium difficile Infection (CDI) Outcome Measure	#1717		FFY 2017 and beyond
Application of Percent of Residents Experiencing One or More Falls with Major Injury (Long-Stay)	#0674	Yes	FFY 2018 and beyond
Application of Percent of LTCH Patients with an Admission and Discharge Functional Assessment and a Care Plan That Addresses Function	#2631	Yes	FFY 2018 and beyond
Functional Outcome Measure: Change in Mobility among LTCH Patients Requiring Ventilator Support	#2632		FFY 2018 and beyond
Medicare Spending Per Beneficiary (MSPB) – Post Acute Care (PAC) LTCH Quality Reporting Program (QRP)	N/A	Yes	FFY 2018 and beyond
Discharge to Community – Post Acute Care PAC LTCH QRP	N/A	Yes	FFY 2018 and beyond
Potentially Preventable 30-Day Post-Discharge Readmission Measure for LTCH QRP	N/A	Yes	FFY 2018 and beyond
Drug Regimen Review Conducted With Follow-Up for Identified Issues- PAC LTCH QRP	N/A	Yes	FFY 2020 and beyond
Changes in Skin Integrity Post-Acute Care: Pressure Ulcer/Injury	N/A		FFY 2020 and beyond

			beyond
Compliance with Spontaneous Breathing Trial (SBT) by Day 2 of the LTCH Stay	N/A		FFY 2020 and beyond
Ventilator Liberation Rate	N/A		FFY 2020 and beyond

CMS is adopting two process measures that promote effective communication and coordination of care for the LTCH QRP with the FFY 2022 QRP, with LTCHs reporting data on these measures beginning FFY 2020:

- Transfer of Health Information to the Provider-Post-Acute Care (PAC); and
- Transfer of Health Information to the Patient-PAC.

In addition, CMS is updating the “Discharge to Community – PAC LTCH QRP” measure to exclude patients who had long-term nursing facility stays before their LTCH stay with no intervening community discharge from the measure calculation.

CMS sought input on the value of the measures for inclusion in the LTCH QRP for future years. A summary of the public comments CMS received can be found on *FR* pages 42535 - 42536.

For FFY 2019 and each subsequent year, LTCHs must report standardized patient assessment data elements (SPADE), as required by the IMPACT Act of 2014. Previously, CMS had adopted SPADEs for two of these categories:

- Functional Status: Data elements currently reported by LTCHs to calculate the measure Application of Percent of Long-Term Care Hospital Patients with an Admission and Discharge Functional Assessment and a Care Plan That Addresses Function (NQF #2631); and
- Medical conditions and comorbidities: the data elements used to calculate the pressure ulcer measures, Percent of Residents or Patients with Pressure Ulcers That Are New or Worsened (Short Stay) (NQF #0678) and the replacement measure, Changes in Skin Integrity Post-Acute Care: Pressure Ulcer/Injury.

Beginning with the FFY 2022 LTCH QRP, CMS is requiring that LTCHs begin reporting the following SPADE categories, for admissions and discharges starting October 1, 2020:

- Cognitive Function and Mental Status (*FR* pages 42541 - 42548);
- Special Services, Treatments, and Interventions Data (*FR* pages 42548 - 42571);
- Impairment Data (*FR* pages 42574 - 42577); and
- Social Determinants of Health (*FR* pages 42577 - 42588) [NEW].

Beginning October 1, 2020, to align with the MDS and IRF-PAI implementation dates CMS is adopting its proposal to move the implementation date of any new version of the LTCH CARE Data Set from April to October. LTCHs will have 6 extra months to prepare for changes to reporting requirements.

CMS is also no longer posting a list of LTCHs that are compliant on the LTCH QRP website beginning with the FFY 2020 payment determination.

Lastly, CMS will begin publically displaying data for the “Drug Regimen Review Conducted within Follow-up for Identified Issues-PAC-LTCH” beginning CY 2020.

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