Medicare Long-Term Care Hospital Prospective Payment System

Final Payment Rule Brief Provided by the Wisconsin Hospital Association

Program Year: FFY 2024

Overview and Resources

On August 1, 2023, the Centers for Medicare and Medicaid Services (CMS) released the federal fiscal year (FFY) 2024 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 set 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.

An online version of the final rule is available at https://www.federalregister.gov/d/2023-16252.

Program changes finalized by CMS are effective for discharges on or after October 1, 2023, unless otherwise noted. CMS estimates the overall economic impact of this final payment rate update to be an increase of $6 million (proposed at a decrease of $24 million) in LTCH PPS payments in FFY 2024 over FFY 2023.

Note: Text in italics is extracted from the *Federal Register* version of the proposed rule released on April 10, 2023 or the *Federal Register* version of the final rule released August 1, 2023.

LTCH Payment Rate

Federal Register pages 59,122– 59,123, 59,123 – 59,137, and 59,265

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 inpatient PPS (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 IPPS 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 intensive care unit (ICU) or critical care unit (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.

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

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

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.

For all cost reporting periods beginning on or after October 1, 2020, the IPPS equivalent payment rate is mandated for ALL discharges for LTCHs that fail to meet the applicable discharge threshold in the prior FFY (less than 50% of patients for whom the standard LTCH PPS payment is made).

Incorporating the final updates and the effects of budget neutrality adjustments, the table below lists the final LTCH standard federal rate for FFY 2024 compared to the rate currently in effect:

	Final FFY 2023	Final FFY 2024	Percent Change
LTCH Standard Federal Rate	**$46,432.77**	**$48,116.62** (proposed at $47,948.15)	**3.63%** (proposed at 3.26%)

The table below provides details of the adopted updates for the LTCH standard federal rate for FFY 2024:

	LTCH Rate Updates and Budget Neutrality Adjustments
Marketbasket Update	**+3.5%** (proposed at +3.1%)
ACA Pre-Determined Adjustment	**-0.2 percentage points (PPT)** (as proposed)
Wage Index Budget Neutrality Adjustment	**1.0031599** (proposed at 1.0035335)
Overall Rate Change	**3.63%** (proposed at 3.26%)

Wage Index and Labor-Related Share

Federal Register pages 59,365 – 59,371

As in prior years, CMS will continue to use the most recent inpatient hospital wage index, the FFY 2024 pre-rural floor, pre-reclassified hospital wage index, to adjust payment rates under the LTCH PPS for FFY 2024.

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. CMS estimated the labor-related portion of the LTCH standard federal rate, using the 2017-based LTCH marketbasket. Based on updates to the marketbasket value, CMS is adopting an increase to the labor-related share from 68.0% for FFY 2023 to 68.5% (proposed at 68.4%) for FFY 2024.

In the FFY 2023 LTCH final rule, CMS finalized a policy to apply a 5% cap on any decrease of the LTCH wage index, and all future LTCH wage indexes, compared with the previous year's wage index. The cap is applied regardless of the reason for the decrease and implemented in a budget neutral manner. This also means that if an LTCH's prior FFY wage index is calculated with the application of the 5% cap, the following year's wage index will not be less than 95% of the LTCH's capped wage index in the prior FFY. Lastly, a new LTCH will be paid the wage index for the area in which it is geographically located for its first full or partial FFY with no cap applied, because a new LTCH will not have a wage index in the prior FFY.

CMS also adopted the 5% permanent cap on the IPPS comparable wage indexes as well for the calculation of site-neutral payments with the same stipulations, but not applied in a budget neutral manner.

CMS is adopting a wage index and labor-related share budget neutrality factor of 1.0031599 (proposed at 1.0035335) for FFY 2024 to ensure that aggregate payments made under the LTCH PPS are not greater or less

than would otherwise be made if wage adjustments had not changed. This budget neutrality factor also includes the impact of the 5% cap on LTCH wage index decreases.

Updates to the Medicare Severity-Long Term Care-Diagnosis Related Groups (MS-LTC-DRG)

Federal Register pages 59,123 – 59,133

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 IPPS, 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 will continue to apply a 10% cap on the reduction of a MS-LTC-DRG's relative weight in a given year compared to the weight in the previous year to MS-LTC-DRGs with at least 25 applicable LTCH cases in the claims data used to calculate the relative weights for the FFY. CMS will implement the cap in a budget neutral manner, with a budget neutrality factor applied directly to the MS-LTC-DRG weights.

The full list of final MS-LTC-DRGs for FFY 2024 can be found at: https://www.cms.gov/files/zip/fy-2024-ms-ltc-drg-file-table-11.zip.

High Cost Outlier (HCO) Payments

Federal Register pages 59,371 – 59,379

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 1.289 (proposed at 1.287) for FFY 2024 for both LTCH PPS standard federal payment rate cases and site neutral payment rate cases.

There are two separate high-cost outlier targets – 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 is finalizing an increase to the threshold for cases paid under the LTCH standard federal payment rate from $38,788 in FFY 2023 to $59,873 (proposed at $94,378) in FFY 2024. CMS recognized that the proposed threshold was significantly higher than the previous fixed-loss amount for FFY 2023 and based on comments is modifying the methodology for determining the charge inflation factor and the CCR adjustment factor for FFY 2024 by setting both to the same factor used in FFY 2023 and FFY 2022 when calculating the threshold.

CMS is also adopting a fixed-loss threshold for cases paid under the site neutral payment rate increase from $38,859 in FFY 2023 to $42,750 (proposed at $40,732) in FFY 2024. This final fixed-loss amount for site-neutral payment rate cases is the same as the FFY 2024 final IPPS fixed-loss amount.

CMS will continue to make an additional HCO payment for the cost of a 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 will continue to apply a budget neutrality adjustment that reduces site-neutral payment rate by 5.1% in FFY 2024, which is the same as FFY 2023. CMS will apply the 5.1% only to the non-HCO portion of the site-neutral rate payment amount.

Short-Stay Outlier (SSO) Payments

Federal Register page 59,123

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 5/6th 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. CMS did not adopt any major changes to the SSO policy.

Updates to the LTCH Quality Reporting Program (LTCH QRP)

Federal Register pages 59,137 – 59,144 and 59,232 – 59,259

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 adopted LTCH QRP measures and payment determination years.

Measure	**NQF #**	**Finalized Cross-Setting Measure**	**Payment Determination Year**
National Healthcare Safety Network (NHSN) Catheter-Associated Urinary Tract Infection (CAUTI) Outcome Measure	#0138		FFY 2015+
NHSN Central Line-Associated Blood Stream Infection (CLABSI) Outcome Measure	#0139		FFY 2015+
Influenza Vaccination Coverage among Healthcare Personnel	#0431		FFY 2016+
NHSN Facility-Wide Inpatient Hospital-Onset Clostridium difficile Infection (CDI) Outcome Measure	#1717		FFY 2017+
Application of Percent of Residents Experiencing One or More Falls with Major Injury (Long-Stay)	#0674	Yes	FFY 2018+
Percent of LTCH Patients with an Admission and Discharge Functional Assessment and a Care Plan That Addresses Function	#2631	Yes	FFY 2018+ ***(removal finalized for FFY 2025+)***
Application of Percent of LTCH Patients with an Admission and Discharge Functional Assessment and a Care Plan That Addresses Function	#2631	Yes	FFY 2018+ ***(removal finalized for FFY 2025+)***
Functional Outcome Measure: Change in Mobility among LTCH Patients Requiring Ventilator Support	#2632		FFY 2018+
Medicare Spending Per Beneficiary (MSPB) – Post Acute Care (PAC) LTCH Quality Reporting Program (QRP)	N/A	Yes	FFY 2018+
Discharge to Community – Post Acute Care PAC LTCH QRP	N/A	Yes	FFY 2018+
Potentially Preventable 30-Day Post-Discharge Readmission Measure for LTCH QRP	N/A	Yes	FFY 2018+
Drug Regimen Review Conducted With Follow-Up for Identified Issues- PAC LTCH QRP	N/A	Yes	FFY 2020+

Changes in Skin Integrity Post-Acute Care: Pressure Ulcer/Injury	N/A		FFY 2020+
Compliance with Spontaneous Breathing Trial (SBT) by Day 2 of the LTCH Stay	N/A		FFY 2020+
Ventilator Liberation Rate	N/A		FFY 2020+
Transfer of Health Information to the Provider Post-Acute Care	N/A		FFY 2022+
Transfer of Health Information to the Patient Post-Acute Care	N/A		FFY 2022+
COVID-19 Vaccination Coverage among Healthcare Personnel (HCP)	N/A		FFY 2023+

CMS is adopting two new measures for future years:

- Discharge Function Score Measure (beginning with FFY 2025 LTCH QRP); and
- COVID-19 Vaccine: Percent of Patients/Residents Who Are Up to Date (beginning with FFY 2026 LTCH QRP).

Separately, CMS is removing two measures beginning with the FFY 2025 LTCH QRP:

- Application of Percent of LTCH Patients with an Admission and Discharge Functional Assessment and a Care Plan That Addresses Function;
- Percent of LTCH Patients with an Admission and Discharge Functional Assessment and a Care Plan That Addresses Function measure.

Beginning with the FFY 2025 LTCH QRP, CMS is adopting its proposal to modify the "COVID-19 Vaccination Coverage among Healthcare Personnel" measure to replace the term "complete vaccination course" with the term "up to date" in the healthcare personnel vaccination definition. CMS will also update the numerator to specify the time frames within which a healthcare personnel is considered up to date with recommended COVID-19 vaccines.

Currently, LTCHs are required to complete 100 percent of the data collected using LTCH Continuity Assessment Record and Evaluation (CARE) Data Set (LCDS) on at least 80 percent of the LCDS assessments they submit through the CMS-designation submission system to be compliant with the LTCH QRP reporting requirements. CMS is finalizing that, beginning with the FFY 2026 program (CY 2024 reporting), LTCHs would be required to report 100 percent of the data collected using LCDS on a least 85 percent (proposed at 90 percent) of the assessments submitted in order to help ensure validity and reliability or quality data items.

Lastly, CMS will begin public reporting of the "Transfer of Health Information to the Provider-PAC" and "Transfer of Health Information to the Patient-PAC" measures as well as the "Discharge Function Score" measure beginning with the September 2024 Care Compare refresh or as soon as possible. CMS will also publicly report the "COVID-19 Vaccine: Percent of Patients/Residents Who Are Up to Date" measure on Care Compare beginning September 2025 or as soon as possible.

Request for Information (RFI) – Principles for Selecting and Prioritizing LTCH QRP Quality Measures and Concepts under Consideration for Future Years

Federal Register pages 59,250 – 59,251

CMS solicited comments on the following:

- *"Principles for Selecting and Prioritizing LTCH QRP Measures*
    - *To what extent do you agree with the principles for selecting and prioritizing measures?*
    - *Are there principles that you believe CMS should eliminate from the measure selection criteria?*
    - *Are there principles that you believe CMS should add to the measure selection criteria?*
- *LTCH QRP Measurement Gaps*

    - *CMS requests input on the identified measurement gaps, including in the areas of cognitive function, behavioral and mental health, patient experience and patient satisfaction, and chronic conditions and pain management.*
    - *Are there gaps in the LTCH QRP measures that have not been identified in this RFI?*
- *Measures and Measure Concepts Recommended for Use in the LTCH QRP*
    - *Are there measures that you believe are either currently available for use, or that could be adapted or developed for use in the LTCH QRP program to assess performance in the areas of: (1) cognitive functioning; (2) behavioral and mental health; (3) patient experience and patient satisfaction; (4) chronic conditions; (5) pain management; or (6) other areas not mentioned in this RFI?"*

CMS also sought comment on data availability and approaches for the development of measures, as well as any perceived data challenges along with approaches for addressing those challenges.

Comments on this RFI can be found on *Federal Register* pages 59,250 – 59,251 and will be considered in future rulemaking.

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