



**WISCONSIN HOSPITAL
ASSOCIATION**

**UPDATE TO THE FINAL
FFY 2009 MEDICARE
HOSPITAL INPATIENT RULE**

September 2008

OVERVIEW

CMS published the final Medicare Inpatient Prospective Payment System (IPPS) rule for federal fiscal year (FFY) 2009 in the August 19, 2008 *Federal Register*. The final rule incorporated mandates contained in the Medicare Improvements for Patients and Providers Act (MIPPA) of 2008, which was enacted on July 15, 2008. Due to the timing of this legislation, CMS was unable to recompute the FFY 2009 wage index values and rates in time for publication of the final rule. Therefore, CMS has issued the final FFY 2009 IPPS rate, wage index values and other related tables in the October 3, 2008 *Federal Register*.

Operating and Capital Rates

For FFY 2009, hospitals with wage indexes greater than 1.0 will continue to use a labor share of 69.7% and hospitals with wage indexes less than or equal to 1.0 will receive a labor share of 62.0%. The standard amounts are shown in the following table for facilities receiving the full update and those receiving a reduced update due to failure to submit adequate quality data.

| Standard¹ for Hospitals with a Wage Index Greater Than 1.0 (69.7% Labor Share and 30.3% Non-Labor Share) | | |
|-------------------------------------------------------------------------------------------------------------------------------|---------------|-------------------|
| | Labor-related | Non Labor-related |
| Full Update (3.6%) | \$3,574.50 | \$1,553.91 |
| Reduced Update (1.6%) ² | \$3,505.49 | \$1,523.91 |

| Standard¹ for Hospitals with a Wage Index Less Than or Equal to 1.0 (62% Labor Share and 38% Non-Labor Share) | | |
|------------------------------------------------------------------------------------------------------------------------------------|---------------|-------------------|
| | Labor-related | Non Labor-related |
| Full Update (3.6%) | \$3,179.61 | \$1,948.80 |
| Reduced Update (1.6%) ² | \$3,118.23 | \$1,911.17 |

| Capital Federal Rate¹ | |
|-----------------------------------------|----------|
| National Capital Rate | \$424.17 |

Note 1: The rates shown in the tables above (both operating and capital) reflect the 0.9% reduction for the "behavioral offset"

Note 2: The reduced update is applicable to hospitals that are not in compliance, or have withdrawn from the 2009 quality reporting

Cost Outliers

For FFY 2009, CMS has calculated a final outlier fixed-loss cost threshold equal to the prospective payment rate for the DRG, plus any IME and DSH payments, and any add-on payments for new technology, plus **\$20,045**.

Wage Index

The final wage indices for FFY 2009 are included in Tables 4A, 4B, 4C, 4F, and 4J of the *Federal Register*. For hospitals that receive an out migration adjustment, Table 4J contains the amount added to a hospital's final wage index. For hospitals in labor markets affected by the section 508 extension, the final notice reflects the reclassification and withdrawal decisions made by CMS. CMS analyzed the various options available to 508 hospitals and chose the highest wage index. Hospitals are encouraged to review CMS's decision and have 15 days from the publication of the October 3, 2008 *Federal Register* to appeal their wage index. If notification is not received within the 15-day timeframe, CMS's decision will be deemed final for FFY 2009.

The MIPPA legislation extended Section 117 of the Medicare, Medicaid, and SCHIP Extension Act of 2007 (MMSEA). This extended certain special exception wage indices through the end of FFY 2009. However, MIPPA failed to amend a section of the MMSEA that set forth the date of the data used to calculate the special exception wage index. Hospitals with special exception wage indices extended through MIPPA are frozen at their FFY 2008 level.