

# Issue Brief

FEDERAL ISSUE BRIEF • February 8, 2016

## CMS Issues Off-Cycle Update to the Inpatient PPS FY 2016 Pricer

The Centers for Medicare & Medicaid Services has released a Change Request number 9523 that implements changes to the fiscal year 2016 inpatient PPS Pricer as a result of Section 601 of the Consolidated Appropriations Act of 2016.

Section 601 modified the payment calculation with respect to operating costs of inpatient hospital services of a subsection (d) Puerto Rico hospital for inpatient hospital discharges on or after Jan. 1, 2016, to use 100 percent of the applicable federal payment rate.

A copy of the Change Request, which was issued on Feb. 4, is at: <https://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/Downloads/R3449CP.pdf>.

Below are the changes to the IPPS payment rates retroactive to Jan. 1, 2016.

The following conforming changes have been made to the FY 2016 factors as a result of the change to the IPPS operating payment calculation for Puerto Rico hospitals and are applicable to all IPPS discharges occurring on or after Jan. 1, 2016:

- MS-DRG Reclassification and Recalibration Budget Neutrality Factor: 0.998404
- Wage Index Budget Neutrality Factor: 0.998764
- MS-DRG Reclassification and Recalibration and Wage Index Budget Neutrality Factor: 0.997170
- Reclassification Budget Neutrality Factor: 0.988169
- FY 2016 New Labor Market Delineation Wage Index 3-Year Hold Harmless Transition Budget Neutrality Factor: 0.999998
- National Operating Outlier Factor: 0.948998
- Puerto Rico Capital Outlier Factor: 0.918048
- Fixed Loss Outlier Threshold: \$22,538

The following table includes the IPPS rates effective by this change and those that were issued (corrected) in the Oct. 5, *Federal Register*. The latter values are in italic print.

4712 Country Club Drive  
Jefferson City, MO 65109

P.O. Box 60  
Jefferson City, MO 65102

573/893-3700  
[www.mhanef.com](http://www.mhanef.com)



*continued*

**National Operating Rates**  
**(applicable to discharges occurring on or after Jan. 1, 2016)**

Hospital Submitted Quality Data and is a Meaningful EHR User (Update=1.7 Percent)		Hospital Did NOT Submit Quality Data and is a Meaningful EHR User (Update=1.1 Percent)		Hospital Submitted Quality Data and is NOT a Meaningful EHR User (Update=0.5 Percent)		Hospital Did NOT Submit Quality Data and is NOT a Meaningful EHR User (Update=-0.1 Percent)	
<b>Wage Index &gt; 1</b>							
Labor	Nonlabor	Labor	Nonlabor	Labor	Nonlabor	Labor	Nonlabor
<b>\$3,805.40</b>	<b>\$1,662.13</b>	<b>\$3,782.95</b>	<b>\$1,652.32</b>	<b>\$3,760.50</b>	<b>\$1,642.52</b>	<b>\$3,738.05</b>	<b>\$1,632.71</b>
\$3,805.30	\$1,662.09	\$3,782.85	\$1,652.28	\$3,760.40	\$1,642.48	\$3,737.95	\$1,632.97
<b>Wage Index &lt; 1</b>							
Labor	Nonlabor	Labor	Nonlabor	Labor	Nonlabor	Labor	Nonlabor
<b>\$3,389.87</b>	<b>\$2,077.66</b>	<b>\$3,369.87</b>	<b>\$2,065.40</b>	<b>\$3,349.87</b>	<b>\$2,053.15</b>	<b>\$3,329.87</b>	<b>\$2,040.89</b>
\$3,389.78	\$2,077.61	\$3,369.78	\$2,065.35	\$3,349.79	\$2,053.09	\$3,329.78	\$2,040.84

**FY 2016 Factors for Hospital-Specific Rate for Sole Community Hospitals and Medicare-Dependent, Small Rural Hospitals**  
**(applicable to discharges occurring on or after Jan. 1, 2016)**

Hospital Specific Rate Applicable Percentage Increase for FY 2016 based on the Hospital Quality Indicator in PSF (data element 34) and EHR Program Reduction indicator in PSF (data element 59)	<ul style="list-style-type: none"> <li>• 1.017 if Quality = '1' and EHR = 'blank' in PSF; or</li> <li>• 1.011 if Quality = '0' and EHR = 'blank' in PSF; or</li> <li>• 1.005 if Quality = '1' and EHR = 'Y' in PSF; or</li> <li>• 0.999 if Quality = '0' and EHR = 'Y' in PSF</li> </ul>
HSP MS-DRG Reclassification and Recalibration Budget Neutrality Adjustment Factor for FY 2016	0.998404

**FY 2016 LTCH PPS Rates and Factors**  
**(applicable to discharges occurring on or after Jan. 1, 2016)**

LTCH PPS Standard Federal Rates	Rates based on successful reporting of quality data. <ul style="list-style-type: none"> <li>• Full update (quality indicator on PSF = 1): \$41,762.85</li> <li>• Reduced update (quality indicator on PSF = 0 or blank): \$40,941.55</li> </ul>
Labor Share	62.0%
Non-Labor Share	38.0%
High-Cost Outlier Fixed-Loss Amount for Standard Federal Rate Discharges	\$16,423
High-Cost Outlier Fixed-Loss Amount for Site- Neutral Rate Discharges	\$22,538

*Analysis provided for MHA  
by Larry Goldberg,  
Goldberg Consulting*

