

Issue Brief

FEDERAL ISSUE BRIEF • OCTOBER 1, 2015

KEY POINTS

- Corrections will effect payment rates and will overall increase the rates over the previously published final updates for FY 2016.
- The operating labor and nonlabor base rates slightly increased, amounting to \$1.30 for hospitals that provide both quality and electronic health record information.
- Capital payments increased by \$0.10.
- Long-term care hospital corrections are wage index related.

CMS Issues Correction Notices to the Final FY 2016 Medicare IPPS and LTCH Changes; Will Change Payment Amounts

The Centers for Medicare & Medicaid Services has released a correction notice to the final rule that updates both the Hospital Inpatient Prospective Payment System and the Long-Term Care Hospital Prospective Payment System for fiscal year 2016.

The changes impact IPPS, IPPS capital rates, and LTCH wage indexes. The changes are effective Oct. 1, 2015.

The document is currently on public display at the Federal Register office and is scheduled for publication Oct. 5. A copy is available at <https://s3.amazonaws.com/public-inspection.federalregister.gov/2015-25269.pdf>.

CMS says the correction notice is mainly due to an error in calculating the employment cost index used in the wage index, the MS-DRG reclassification and recalibration budget neutrality adjustment factor, and the MGCRB reclassification status of certain providers, each of which resulted in additional conforming corrections.

I. STANDARDIZED PAYMENT RATES

The following table is corrected as noted by strike-throughs and replacements.

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continued

	Hospital Submitted Quality Data and is a Meaningful EHR User	Hospital Submitted Quality Data and is NOT a Meaningful EHR User	Hospital Did NOT Submit Quality Data and is a Meaningful EHR User	Hospital Did NOT Submit Quality Data and is NOT a Meaningful EHR User
FY 2015 Base Rate after removing	If Wage Index is Greater Than 1.0000:	If Wage Index is Greater Than 1.0000:	If Wage Index is Greater Than 1.0000:	If Wage Index is Greater Than 1.0000:
1. FY 2015 Geographic Reclassification Budget Neutrality (0.990429)	Labor (69.6%): \$4,324.23	Labor (69.6%): \$4,324.23	Labor (69.6%): \$4,324.23	Labor (69.6%): \$4,324.23
2. FY 2015 Rural Community Hospital Demonstration Program Budget Neutrality (0.999313)	Nonlabor (30.4%): \$1,888.74 (Combined labor and nonlabor = \$6,212.97)	Nonlabor (30.4%): \$1,888.74 (Combined labor and nonlabor = \$6,212.97)	Nonlabor (30.4%): \$1,888.74 (Combined labor and nonlabor = \$6,212.97)	Nonlabor (30.4%): \$1,888.74 (Combined labor and nonlabor = \$6,212.97)
3. Cumulative FY 2008, FY 2009, FY 2012, FY 2013 and FY 2014, FY 2015 Documentation and Coding Adjustment as Required under Sections 7(b)(1)(A) and 7(b)(1)(B) of Pub. L. 110-90 and Documentation and Coding Recoupment Adjustment as required under Section 631 of the American Taxpayer Relief Act of 2012 (0.9329)	If Wage Index is less Than or Equal to 1.0000: Labor (62%): \$3,852.04 Nonlabor (38%): \$2,360.93 (Combined labor and nonlabor = \$6,212.97)	If Wage Index is less Than or Equal to 1.0000: Labor (62%): \$3,852.04 Nonlabor (38%): \$2,360.93 (Combined labor and nonlabor = \$6,212.97)	If Wage Index is less Than or Equal to 1.0000: Labor (62%): \$3,852.04 Nonlabor (38%): \$2,360.93 (Combined labor and nonlabor = \$6,212.97)	If Wage Index is less Than or Equal to 1.0000: Labor (62%): \$3,852.04 Nonlabor (38%): \$2,360.93 (Combined labor and nonlabor = \$6,212.97)
4. FY 2015 Operating Outlier Offset (0.948999)	(Combined labor and nonlabor = \$6,212.97)	(Combined labor and nonlabor = \$6,212.97)	(Combined labor and nonlabor = \$6,212.97)	(Combined labor and nonlabor = \$6,212.97)
5. FY 2015 New Labor Market Delineation Wage Index Transition Budget Neutrality Factor (0.998854)				
FY 2016 Update Factor	1.017	1.005	1.011	0.999
FY 2016 MS-DRG Recalibration and Wage Index Budget Neutrality Factor	0.997150	0.997150	0.997150	0.997150
FY 2016 Reclassification Budget Neutrality Factor	0.987905 0.988168	0.987905 0.988168	0.987905 0.988168	0.987905 0.988168
FY 2016 Rural Community Demonstration Program Budget Neutrality Factor	0.999861 0.999837	0.999861 0.999837	0.999861 0.999837	0.999861 0.999837
FY 2016 Operating Outlier Factor	0.949000	0.949000	0.949000	0.949000
Cumulative Factor: FY 2008, FY 2009, FY 2012, FY 2013, FY 2014, FY 2015 and FY 2016 Documentation and Coding Adjustment as Required under Sections 7(b)(1)(A) and 7(b)(1)(B) of Pub. L. 110-90 and Documentation and Coding Recoupment Adjustment as required under Section 631 of the American Taxpayer Relief Act of 2012	0.9255	0.9255	0.9255	0.9255

	Hospital Submitted Quality Data and is a Meaningful EHR User	Hospital Submitted Quality Data and is NOT a Meaningful EHR User	Hospital Did NOT Submit Quality Data and is a Meaningful EHR User	Hospital Did NOT Submit Quality Data and is NOT a Meaningful EHR User
FY 2016 New Labor Market Delineation Wage Index Three Year Hold Harmless Transition Budget Neutrality Factor	0.999996 0.999997	0.999996 0.999997	0.999996 0.999997	0.999996 0.999997
National Standardized Amount for FY 2016 if Wage Index is Greater Than 1.0000;	Labor: \$3,804.40 \$3,805.30	Labor: \$3,759.51 \$3,760.40	Labor: \$3,781.96 \$3,782.85	Labor: \$3,737.07 \$3,737.95
Labor/Non-Labor Share Percentage (69.6/30.4)	Nonlabor: \$1,661.69 \$1,662.09	Nonlabor: \$1,642.08 \$1,642.48	Nonlabor: \$1,651.89 \$1,652.28	Nonlabor: \$1,632.28 \$1,632.97
National Standardized Amount for FY 2016 if Wage Index is less Than or Equal to 1.0000;	Labor: \$3,388.98 \$3,389.78	Labor: \$3,348.99 \$3,349.79	Labor: \$3,368.99 \$3,369.78	Labor: \$3,329.00 \$3,329.78
Labor/Non-Labor Share Percentage (62/38)	Nonlabor: \$2,077.11 \$2,077.61	Nonlabor: \$2,052.60 \$2,053.09	Nonlabor: \$2,064.86 \$2,065.35	Nonlabor: \$2,040.35 \$2,040.84

COMMENT

The amount of change for a hospital that provides both quality and EHR information is a positive change of \$1.30.

II. CHANGES TO PAYMENT RATES FOR ACUTE CARE HOSPITAL INPATIENT CAPITAL-RELATED COSTS FOR FY 2016

The corrected FY 2016 capital rate is **\$438.75** from \$438.65, a corrected difference of 10 cents.

III. SUMMARY OF ERRORS IN AND CORRECTIONS TO FILES AND TABLES POSTED ON CMS' WEBSITE, ERRORS AND CORRECTIONS TO IPPS AND LTCH PPS TABLES

CMS is correcting the errors in the following IPPS tables and are available on CMS' website at <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/FY2016-IPPS-Final-Rule-Home-Page.html>.

Table 2 — Final Case-Mix Index and Wage Index Table by CCN, because of the ECI error is correcting the values in the columns titled FY 2016 Wage Index, Average Hourly Wage FY 2016,

and 3-Year Average Hourly Wage (2014, 2015, 2016) for four providers located in CBSAs 04, 20, and 12620.

One of these hospitals is geographically located in nonurban Arkansas (State Code 04), two hospitals are geographically located in nonurban Maine (State Code 20), and one urban hospital is located in Maine (CBSA 12620). Thus, the pre-reclassified unadjusted wage indexes for these three areas were calculated incorrectly.

CMS also is correcting the reclassification status of 50 providers to reflect assignment to their geographic CBSAs or reclassified CBSAs, as applicable.

The wage index values for numerous providers in Table 2 are corrected as well.

Table 3 — Final Wage Index Table by CBSA, CMS is making corresponding changes to the wage indexes and GAFs

of CBSAs 04, 20, and 12620 listed in Table 3.

Table 5 — List of Medicare Severity Diagnosis-Related Groups, Relative Weighting Factors, and Geometric and Arithmetic Mean Length of Stay—FY 2016, in the column labeled ‘TYPE,’ to be consistent with previous fiscal years, CMS is revising the entries labeled ‘P’ to SURG and the entries labeled ‘M’ to MED.

Table 10 — New Technology Add-On Payment Thresholds for Applications for FY 2017. CMS is correcting the thresholds in this table as a result of the corrections to the operating standardized amounts.

Table 11 — MS–LTC–DRGs, Relative Weights, Geometric Average Length of Stay, Short Stay Outlier (SSO) Threshold, and “IPPS Comparable Threshold” for LTCH PPS Discharges Occurring from Oct. 1, 2015, through Sept. 30, 2016. CMS is correcting this table by correcting typographical errors for certain MS-LTC-DRGs in the columns titled “Relative Weight,” “Geometric Average Length of Stay,” “Short-Stay Outlier (SSO) Threshold,” and “IPPS Comparable Threshold.”

Table 12A — LTCH PPS Wage Index for Urban Areas for Discharges Occurring From Oct. 1, 2015, through Sept. 30, 2016. CMS is correcting this table by correcting the values in the column titled “LTCH PPS Wage Index” as result of the error in the miscalculation percentage change in the ECI, which affected the wage data for CBSA 12620.
Table 12B — LTCH PPS Wage Index for Rural Areas for Discharges Occurring From Oct. 1, 2015, through Sept. 30, 2016. CMS is correcting this table by correcting the values in the column titled “LTCH PPS Wage Index” as result of the technical error in the percentage

change in the ECI, which affected the wage data for CBSAs 04 and 20.

Table 14 — List of Hospitals with Fewer Than 1,600 Medicare Discharges Based on the March 2015 Update of the FY 2014 MedPAR File and Potentially Eligible Hospitals for the FY 2016 Low-Volume Hospital Payment Adjustment (Eligibility for the low-volume hospital payment adjustment is also dependent upon meeting the mileage criteria specified at § 412.101(b)(2)(ii)). CMS is correcting this table by correcting typographical and technical errors for certain hospitals in the column titled “FY 2016 Low-Volume Payment Adjustment (Percentage Add-on).

Table 18 — FY 2016 Medicare DSH Uncompensated Care Payment Factor 3 and Projected DSH Eligibility.

For the FY 2016 IPPS/LTCH PPS final rule, CMS published a list of hospitals that it identified to be subsection(d) hospitals and subsection(d) Puerto Rico hospitals eligible to receive empirically justified Medicare DSH payment adjustments and uncompensated care payments for FY 2016. CMS also published, in the Supplemental Medicare DSH File located in the FY 2016 IPPS/LTCH PPS final rule data files page at <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/FY2016-IPPS-Final-Rule-Home-Page-Items/FY2016-IPPS-Final-Rule-Data-Files.html>, the data used to calculate each hospital’s Factor 3, total uncompensated care payment, and uncompensated care payment per discharge. Shortly after the publication of the FY2016 IPPS/LTCH PPS final rule, CMS says it discovered that in calculating Factor 3 of the uncompensated care payment methodology, it inadvertently excluded the Medicaid days from the most recently available 2012 or 2011 cost report for certain providers that

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*Analysis provided for MHA
by Larry Goldberg,
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were projected to receive Medicare DSH in FY 2016. As a result, these providers had no Medicaid days included in the calculation of Factor 3. In order to correct these errors, CMS has Factor 3 for all hospitals to incorporate the changes to the data for these providers whose Medicare hospital cost report data were inadvertently excluded. These corrections to the uncompensated care payments impacted the calculation of the outlier fixed-loss cost threshold for outlier payments.

CMS is revising Factor 3 for all hospitals to correct these errors; however, unlike the error in which Medicaid days for certain providers were excluded, the impacts of these three errors (specified in the bulleted list) are too small to change other aspects of the IPPS rate-setting, such as the calculation of the fixed-loss threshold for outlier payments.