Issue Brief

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KEY POINTS

As part of the Medicare Access and CHIP Reauthorization Act of 2015, extensions were given to continue the Medicare low-volume hospital and Medicare dependent hospital programs through the end of fiscal year 2017.

IPPS Hospital Extensions per the Medicare Access and CHIP Reauthorization Act of 2015

The Centers for Medicare & Medicaid Services has issued a program instruction (change request 9197) that provides information and implementation instructions for Sections 204 and 205 of the Medicare Access and CHIP Reauthorization Act of 2015. The instruction is effective April 1, 2015.

The new law includes the extension of certain provisions of the Affordable Care Act. Specifically, the following Medicare IPPS fee-for-service policies have been extended through September 30, 2017.

SECTION 204 — EXTENSION OF INCREASED INPATIENT HOSPITAL PAYMENT ADJUSTMENT FOR CERTAIN LOW-VOLUME HOSPITALS

The ACA provided for temporary changes to the low-volume hospital adjustment. To qualify, the hospital must have less than 1,600 Medicare discharges and be located 15 miles or more from the nearest IPPS hospital.

For fiscal year 2015 discharges occurring on or after April 1, 2015, through September 30, 2015, the low-volume hospital qualifying criteria and payment adjustment (percentage increase) is determined using FY 2013 Medicare discharge data from the March 2014 update of the Medicare Provider Analysis and Review files. This discharge data can be found in Table 14 of the Addendum of the FY 2015 IPPS final rule (CMS- 1607- F), which is available at http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/FY2015-IPPS-Final-Rule-Home-Page-Items/FY2015-Final-Rule-Tables.html.

"(In order to facilitate administrative implementation, the only source that CMS and the MACs will use to determine the number of Medicare discharges for purposes of the low-volume adjustment for FY 2015 is the data from the March 2014 update of the FY 2013 MedPAR file.) CMS says that Table 14 is a list of IPPS hospitals with fewer than 1,600 Medicare discharges and is not a listing of the hospitals that qualify for the low-volume adjustment for FY 2015, since it does not reflect whether or not the hospital meets the mileage criterion (that is, the hospital must also be located more than 15 road miles from any other IPPS hospital)."

In order to receive the applicable low-volume hospital payment adjustment (percentage increase) for FY 2015 discharges, a hospital must meet both the discharge and mileage criteria.

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The MACs shall notify hospitals that had a FY 2015 low-volume hospital status determination on March 31, 2015, that their status has been reinstated for the remainder of FY 2015 provided that the hospital continues to meet the mileage criterion (that is, it continues to be located more than 15 road miles from any other IPPS hospital). In other words, the hospital will continue to have low-volume hospital status for the last half of FY 2015 provided there have not been any changes in the hospital's proximity to another IPPS hospital subsequent to the hospital's notification to its MAC that it met the low-volume hospital criteria for the first half of FY 2015. Requests for low-volume hospital status for FY 2015 received after April 1, 2015 — if the hospital meets the criteria to qualify as a low-volume hospital — the MAC will establish a low-volume hospital status effective date that will be applicable prospectively within 30 days of the date of the MAC's low-volume hospital status determination, consistent with our historical policy.

SECTION 205 — EXTENSION OF THE MEDICARE-DEPENDENT HOSPITAL PROGRAM

Consistent with CMS' implementation of previous extensions of the MDH program, generally, providers that were classified as MDHs as of the date of expiration of the MDH provision will be reinstated as MDHs effective April 1, 2015, with no need to reapply for MDH classification. There are two exceptions:

1. MDHs that classified as SCHs on or after April 1, 2015

In anticipation of the expiration of the MDH provision, CMS allowed MDHs that applied for classification as an SCH by March 1, 2015, (that is, 30 days prior to the expiration of the MDH program), to be granted such status effective with the expiration of the MDH program. Hospitals that applied in this manner and were approved for SCH classification received SCH status as of April 1, 2015. Additionally, some hospitals that had MDH status as of the April 1, 2015, expiration of the MDH program may have missed the March 1, 2015, application deadline. These hospitals applied for SCH status in the usual manner and may have been approved for SCH status effective 30 days from the date of approval resulting in an effective date later than April 1, 2015.

2. MDHs that requested a cancellation of their rural classification under §412.103(b)

In order to meet the criteria to become an MDH, a hospital must be located in a rural area. To qualify for MDH status, some MDHs may have reclassified as rural under the regulations at §412.103. With the expiration of the MDH provision, some of these providers may have requested a cancellation of their rural classification.

Providers that fall within either of the two exceptions will have to reapply for MDH classification in accordance with the regulations at 42 CFR 412.108(b) and meet the classification criteria at 42 CFR 412.108(a). Specifically, the regulations at §412.108(b) require the following.

1. The hospital submits a written request along with qualifying documentation to its contractor to be considered for MDH status (§412.108(b)(2)).
2. The contractor makes its determination and notifies the hospital within 90 days from the date that it receives the request for MDH classification (§412.108(b)(3)).
3. The determination of MDH status would be effective 30 days after the date of the contractor's written notification to the hospital (§412.108(b) (4)).

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CMS provides the following table for those hospitals meeting the two exceptions above.

If the provider was classified as an MDH as of the March 31, 2015, expiration of the MDH provision and the provider:	Then	Corresponding Example #
Did not reclassify as an SCH since April 1, 2015, and is still classified as a rural provider	MDH status will be automatically reinstated to April 1, 2015.	1
Reclassified as an SCH immediately following the expiration of the MDH provision with SCH status effective April 1, 2015	The provider's MDH status will not be automatically reinstated and the provider will have to reapply for MDH classification (§412.108(b)).	2
Reclassified as an SCH, but the effective date of SCH status was a date after April 1, 2015	The provider's MDH status will be reinstated, effective April 1, 2015, for the portion of time during which it was not classified as an SCH. The provider's MDH status will be cancelled effective with the effective date of its SCH status. The provider will have to reapply for MDH classification (§412.108(b)).	3
Cancelled its rural classification under §412.103 effective April 1, 2015	The provider's MDH status will not be automatically reinstated and the provider will have to reapply for rural classification (§412.103(b)) and then reapply for MDH classification (§412.108(b)).	4
Cancelled its rural classification under §412.103, but the effective date of the rural status cancellation was a date after April 1, 2015	The provider's MDH status will be reinstated for the portion of time during which it was classified as rural. The provider's MDH status will then be cancelled effective with the date that its rural classification cancellation became effective. The provider will have to reapply for rural classification (§412.103(b)) and then reapply for MDH classification (§412.108(b)).	5
Did not reclassify as an SCH and is still classified as a rural provider but has a Medicare utilization rate < 60 percent in the three most recently settled cost reports	MDH status will be automatically reinstated to April 1, 2015. The contractor will then notify the provider that it no longer meets MDH criteria and will cancel MDH status in accordance with the regulations at §412.108(b)(6).	6

Example 1: Hospital A was classified as an MDH prior to the March 31, 2015, expiration of the MDH program. Hospital A retained its rural classification and did not reclassify as an SCH. Hospital A's MDH status will be automatically reinstated to April 1, 2015.

Example 2: Hospital B was classified as an MDH prior to the March 31, 2015, expiration of the MDH program. In accordance with the regulations at §412.92(b)(2)(v) and in anticipation of the expiration of the MDH program, Hospital B applied for classification as an SCH by March 1, 2015, and was approved for SCH status effective on April 1, 2015. Hospital B's MDH status will not be automatically reinstated.

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In order to reclassify as an MDH, Hospital B must cancel its SCH status, in accordance with §412.92(b)(4), and reapply for MDH status in accordance with the regulations at §412.108(b).

Example 3: Hospital C was classified as an MDH, prior to the March 31, 2015, expiration of the MDH program. Hospital C missed the application deadline of March 1, 2015, for reclassification as an SCH under the regulations at §412.92(b)(2)(v) and was not eligible for its SCH status to be effective as of April 1, 2015. Hospitals C's Medicare contractor approved its classification request for SCH status effective May 16, 2015. Hospital C's MDH status will be reinstated, but only for the portion of time in which they met the criteria for MDH status. Hospital C's MDH status will be reinstated effective April 1, 2014, through May 15, 2015, and will be cancelled effective May 16, 2015. In order to reclassify as an MDH, Hospital C must cancel its SCH status, in accordance with §412.92(b)(4), and then reapply for MDH status in accordance with the regulations at §412.108(b).

Example 4: Hospital D was classified as an MDH prior to the March 31, 2015, expiration of the MDH program. In anticipation of the expiration of the MDH program, Hospital D requested that its rural classification be cancelled in accordance with the regulations at §412.103(g). Hospital D's rural classification was cancelled effective April 1, 2015. Hospital D's MDH status will not be automatically reinstated. In order to reclassify as an MDH, Hospital D must request to be reclassified as rural under §412.103(b) and must reapply for MDH status under §412.108(b).

Example 5: Hospital E was classified as an MDH prior to the March 31, 2015, expiration of the MDH program. In anticipation of the expiration of the MDH program, Hospital E requested that its rural classification be cancelled in accordance with the regulations at §412.103(g). Hospital E's rural classification was cancelled effective July 1, 2015. Hospital E's MDH status will be reinstated but only for the portion of time in which they met the criteria for MDH status. Since Hospital E cancelled its rural status and became urban effective July 1, 2015, MDH status will only be reinstated effective April 1, 2015, through June 30, 2015, and will be cancelled effective July 1, 2015. In order to reclassify as an MDH, Hospital E must request to be reclassified as rural under §412.103(b) and must reapply for MDH status under §412.108(b).

Example 6: Hospital F was classified as an MDH prior to the March 31, 2015, expiration of the MDH provision. The hospital's Medicare contractor found that Hospital F had a Medicare utilization rate of less than 60 percent in all three of the most recently settled cost reports. Hospital F did not reclassify as an SCH nor did it drop its rural status with the expiration of the MDH provision. In this case, Hospital F's contractor will automatically reinstate its MDH status retroactive to April 1, 2015. The contractor will then notify Hospital F that it no longer qualifies for MDH status. The change in Hospital F's status (i.e., disqualification from MDH status) will become effective 30 days after the date the contractor's written notification to Hospital F.

Analysis provided for MHA by Larry Goldberg, Goldberg Consulting