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MLN Matters Number: MM5652

Related Change Request (CR) #: 5652

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Effective Date: Discharges on or after July 1, 2007

Related CR Transmittal #: R1268CP

Implementation Date: July 2, 2007

## Update - Long Term Care Hospital Prospective Payment System (LTCH PPS) Rate Year (RY) 2008

### Provider Types Affected

Long term care hospitals paid under the LTCH PPS by Medicare fiscal intermediaries (FIs) and Part A/B Medicare Administrative Contractors (A/B MACs).

### Provider Action Needed

This article is based on Change Request (CR) 5652 which updates the changes to LTCH PPS for Rate Year 2008 (July 1, 2007 - June 30, 2008) including PRICER updates, Short Stay Outlier (SSO) Updates, and Cost of Living Adjustment (COLA) updates).

### Background

On October 1, 2002, the Centers for Medicare & Medicaid Services (CMS) implemented, through the Federal Register (August 30, 2002; [http://www.access.gpo.gov/su\\_docs/fedreg/a020830c.html](http://www.access.gpo.gov/su_docs/fedreg/a020830c.html)), a prospective payment system (PPS) for Long Term Care Hospitals (LTCHs) under the Medicare program in accordance with provisions of the Medicare, Medicaid, and SCHIP Balanced Budget Refinement Act (BBRA) of 1999, as amended by the Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act (BIPA) of 2000.

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Payments under this system are made on a per discharge basis, using long-term care diagnosis-related groups (LTC-DRGs) that take into account differences in resource use of long-term care patients and the most recently available hospital discharge data. CMS is required to update the payments made under this PPS annually. There are two significant updates for LTCH PPS:

- The Rate Year update (July of each year), and
- The DRGs update (October of each year).

#### ***PRICER Updates:***

For LTCH PPS rate year (RY) 2008, (Applies to discharges on or after July 1, 2007 through June 30, 2008)

- The standard Federal rate is \$38,356.45;
- The fixed-loss amount is \$20,738;
- The budget neutrality adjustment is 0 percent. (The PRICER payment amount will include the adjustment factor as 1.00.);
- The wage index phase-in percentage for cost reporting periods beginning on or after October 1, 2006 is 5/5<sup>ths</sup> (100 percent). The wage index table within the PRICER will include two columns:
  - A 4/5<sup>ths</sup> column for discharges occurring in LTCH cost report periods beginning during Fiscal Year 2006,
  - and A 5/5<sup>ths</sup> column for discharges occurring in LTCH cost report periods beginning during Fiscal Year 2007;
- The labor-related share is 75.788 percent; and
- The non-labor related share is 24.212 percent.

#### ***Short Stay Outlier (SSO) Updates:***

The existing payment adjustment formula for short-stay outlier cases was revised for those cases where the patient's LTCH covered length of stay (LOS) is less than, or equal to an "IPPS-comparable" threshold for the DRG to which the case is assigned. For cases falling within this "IPPS-comparable" threshold, Medicare payments under the SSO policy will be subject to an additional payment option that for these cases, will substitute for the blend of an amount calculated from a blend of 120 percent of the LTC-DRG specific per diem amount and an amount comparable to a per diem payment under the IPPS that was finalized for RY 2007.

The IPPS-comparable threshold is defined as a length of stay at the LTCH that is less than, or equal to, the geometric average length of stay for the same DRG under the IPPS plus one standard deviation (refer to Table 3 in the LTCH PPS RY

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2008 final rule (72 FR 26870 at 27019- 27029);

[http://www.access.gpo.gov/su\\_docs/fedreg/a070511c.html](http://www.access.gpo.gov/su_docs/fedreg/a070511c.html))

If the covered LOS at the LTCH is within the IPPS-comparable threshold, Medicare payment will be based on an IPPS comparable per diem amount, capped at the full IPPS comparable amount. This option would replace the “blend” option and become part of the adjusted LTCH PPS payment formula.

Effective for discharges occurring on or after July 1, 2007, therefore, the adjusted Medicare payment for a case where the covered LOS at the LTCH is within the IPPS-comparable threshold will equal the least of:

- 100 percent of estimated cost of the case,
- 120 percent of the LTC-DRG per diem amount,
- The full LTC-DRG payment, or
- The “IPPS comparable” per diem amount, capped at the full IPPS comparable amount.

For SSO cases with lengths of stay exceeding the “IPPS comparable” threshold, the fourth payment option will continue to be the blend, described above.

Some good examples of computations for SSOs are provided in tables in Chapter 3, Section 150.9.1.1 of the *Medicare Claims Processing Manual*. That section is among the sections attached to CR5652, which is available at <http://www.cms.hhs.gov/Transmittals/downloads/R1268CP.pdf> on the CMS website.

#### ***Cost of Living Adjustment Updates (COLA):***

LTCH PPS incorporates a COLA as part of the operating and capital payments in LTCH PPS. New COLAs for Alaska were implemented as part of the LTCH Final Rule for RY 2008. Those COLAs, which are effective for LTCH discharges occurring on or after July 1, 2007, are as follows:

Area	Cost of Living Adjustment Factor
<b>Alaska:</b>	
City of Anchorage and 80-kilometer (50-mile) radius by road	1.24
City of Fairbanks and 80-kilometer (50-mile) radius by road	1.24
City of Juneau and 80-kilometer (50-mile) radius by road	1.24
Rest of Alaska	1.25

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***Other Medicare Claims Processing Manual Revisions of Note:***

Also, note that effective for cost reporting periods beginning on or after July 1, 2007, the payment adjustment that governs LTCH HwHs (hospitals within hospitals) and satellites of HwHs discharging patients from their host hospital was extended to govern the discharges from all LTCHs (not already addressed by the existing policy) that are admitted from any referring hospital. This policy adjustment includes:

- discharges from “grandfathered” LTCH HwHs and LTCH satellites that were admitted from their host hospitals;
- LTCH and LTCH satellite discharges admitted from referring hospitals that are not co-located with the discharging facility; and
- Discharges from “free-standing” LTCHs that were admitted from any referring hospital.

In addition, the basic payment formula under the 25 percent threshold payment adjustment for Medicare discharges from referring hospitals is amended, effective for rate year 2008, as follows:

- For those admitted to grandfathered LTCH HwHs and LTCH satellites from the host hospitals:
  - If a grandfathered LTCH HwH's admission from its host hospital exceed 25 percent or the applicable percentage of its discharges for the HwHs cost reporting period, an adjusted payment will be made in the lesser of the otherwise full payment under the LTCH PPS and an amount that would be equivalent to what Medicare would otherwise pay under the Inpatient PPS (IPPS) for cases in excess of the 25 percent threshold.
  - In determining whether a hospital meets the 25 percent criterion, patients transferred from the host hospital that have already qualified for outlier payments at the acute host would not count as part of the host's allowable percentage and therefore the payment would not be subject to the adjustment. Those patients would be eligible for full payment under the LTCH PPS. (Cases admitted from the host before the LTCH crosses the 25 percent or applicable threshold would be paid under the LTCH PPS.)
- For those admitted to all LTCHs and LTCH satellites from referring hospitals other than those with which they are co-located
  - If a LTCH HwH's admissions from its host hospital exceed 25 percent or the applicable percentage of its discharges for the HwH's cost reporting period, an adjusted payment will be made of the lesser of the otherwise

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full payment under the LTCH PPS and an amount that would be equivalent to what Medicare would otherwise be paid under the IPPS for cases in excess of the 25 percent threshold.

- In determining whether a hospital meets the 25 percent criterion, patients transferred from the host hospital that have already qualified for outlier payments at the acute host would not count as part of the host's allowable percentage and therefore the payment would not be subject to the adjustment. Those patients would be eligible for full payment under the LTCH PPS. (Cases admitted from the host before the LTCH crosses the 25 percent or applicable threshold would be paid under the LTCH PPS.)

As in the case of the policy for co-located LTCHs and LTCH satellites, an additional adjustment is provided for patients admitted a LTCH and satellite LTCH located in rural areas or where the referring hospital is an MSA dominant or sole urban hospital,. In such situations, instead of the 25 percent threshold, Medicare provides for a threshold of up to 50 percent for patients from any referring hospital in these categories.

Complete details on these manual revisions, including a discussion of the transition period for all LTCHs affected by these provisions, are available in an attachment to CR5652 at the website mentioned previously.

## Additional Information

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The official instruction, CR5652, issued to your FI and A/B MAC regarding this change may be viewed at <http://www.cms.hhs.gov/Transmittals/downloads/R1268CP.pdf> on the CMS website.

If you have any questions, please contact your FI or A/B MAC at their toll-free number, which may be found on the CMS website at <http://www.cms.hhs.gov/MLNProducts/downloads/CallCenterTollNumDirectory.zip>.

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