



# Proactive planning for IPPS proposed rules

Thursday, May 23, 2013



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# Today's presenters



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# Polling question one

- Have you have read the proposed rule?
  - All
  - Portions
  - None

# IPPS update for FY 2014

- Posted on 4/26/13
- Published in 5/10/13 Federal Register
- Tables on CMS website
- Copy at: <http://www.gpo.gov/fdsys/pkg/FR-2013-05-10/pdf/2013-10234.pdf>
- Tables at: <http://www.cms.hhs.gov/Medicare/medicare-Fee-for-Service-Payment/AcuteInpatientPPS/index.html>
- Comments due 6/25/13
  - <http://www.regulations.gov/#!submitComment;D=CMS-2013-0084-0002>
- Effective 10/1/13

# Personal comments

- Regulation has become too long
- Original law was only 138 pages
- Too much history
- Too much redundancy
  - Supposedly for lawyers and to ward off lawsuits
- Hard to find changes being proposed
- Does have a decent executive summary



# Polling question two

- With which aspect of the proposed rule are you most concerned?
  - Market basket
  - Documentation and coding
  - Case mix weights
  - DSH reductions
  - Quality reporting
  - Value-based purchasing
  - Other

# Update

- Market basket would be 2.5% (0.5% for non-quality providers)
- Offsets
  - (0.4%) for productivity
  - (0.3%) for ACA mandate
  - (0.8%) for documentation and coding (per ATRA)
  - (0.2%) for new policy proposal on I/P criteria
- CMS says net increase is 0.8% (-1.2% for non-quality providers)
- Increase in total payments would be \$27 million
- Recent CBO report suggests lower market basket increase and greater productivity offset

# Update (continued)

- There are more offsets:
  - Budget neutrality
  - Readmissions
  - DSH
  - Value-based purchasing
- ACA law saying updates could be less than current may now be “real”
- Cancer or children’s would receive full market basket with no offsets

# Update (continued)

- Revising the market basket
  - Would use 2010 data in lieu of 2004
- Results in new labor-related share values
  - “Large” urban areas – those with wage index greater than 1.000 – from 68.8% to **69.6%**
  - “Other” areas with wage index values equal to or less than 1.000 would remain at 62.0% by law
    - If no law, would be 63.2%

# More adjustments

- Budget neutrality for:
  - DRG recalibration
  - Wage index changes
  - Geographic reclassification
  - Rural community hospital demonstration program
  - Removing the FY 2013 outlier offset
  - Documentation and coding to date
  - Offsetting the cost of the policy proposal on admission and medical review criteria

National adjusted operating standardized amounts  
 69.6% labor share/30.4% nonlabor  
 Wage index is greater than 1.0000

| Proposed FY 2014 full update<br>(1.8%) |                  | Proposed reduced update<br>(minus 0.2%) |                  |
|--|------------------|---|------------------|
| Labor-related                          | Nonlabor-related | Labor-related                           | Nonlabor-related |
| \$3,741.72                             | \$1,634.32       | \$3,668.21                              | \$1,602.21       |

***Rates currently in effect***

| Full update   |                  | Reduced update |                  |
|---------------|------------------|----------------|------------------|
| Labor-related | Nonlabor-related | Labor-related  | Nonlabor-related |
| \$3,679.95    | \$1,668.81       | \$3,607.65     | \$1,636.02       |

National adjusted operating standardized amounts  
 62% labor share/38% nonlabor  
 Wage index equal to or less than 1.0000

| Proposed FY 2014 full update<br>(1.8%) |                  | Proposed reduced update<br>(minus 0.2%) |                  |
|--|------------------|---|------------------|
| Labor-related                          | Nonlabor-related | Labor-related                           | Nonlabor-related |
| \$3,333.14                             | \$2,042.90       | \$3,267.66                              | \$2,002.76       |

***Rates currently in effect***

| Full update   |                  | Reduced update |                  |
|---------------|------------------|----------------|------------------|
| Labor-related | Nonlabor-related | Labor-related  | Nonlabor-related |
| \$3,316.23    | \$2,032.53       | \$3,251.08     | \$1,992.59       |

# Rate comparison (with quality)

| <b>▪ FY 2013</b> | <b>Proposed FY 2014</b> | <b>Difference</b> |
|------------------|-------------------------|-------------------|
| <u>Large</u>     |                         |                   |
| \$3,679.95       | \$3,741.72              |                   |
| 1,668.81         | 1,634.32                |                   |
| \$5,348.76       | \$5,376.04              | \$27.28/ 0.51%    |
| <u>Other</u>     |                         |                   |
| \$3,316.23       | \$3,333.14              |                   |
| 2,032.53         | 2,042.90                |                   |
| \$5,348.76       | \$5,376.04              | \$27.28/ 0.51%    |



# Rate comparison (without quality)

| <b>▪ FY 2013</b> | <b>Proposed FY 2014</b> | <b>Difference</b> |
|------------------|-------------------------|-------------------|
| <u>Large</u>     |                         |                   |
| \$3,607.65       | \$3,668.21              |                   |
| 1.636.02         | 1,602.21                |                   |
| \$5,243.67       | \$5,270.42              | \$26.75/ 0.51%    |
| <u>Other</u>     |                         |                   |
| \$3,251.08       | \$3,267.66              |                   |
| 1,992.59         | 2,002.76                |                   |
| \$5,243.67       | \$5, 270.42             | \$26.75/ 0.51%    |

# Wage index

- Not using the revised OMB CBSAs
  - Released on 2/28/13
  - To be used for FY 2015
  - Copy at:  
<http://www.whitehouse.gov/sites/default/files/omb/bulletins/2013/b-13-01.pdf>
  - Data is from FY 2010 CRPs (including OCC mix adjustment)

## Wage index (continued)

- No change to the statewide budget neutrality adjustment factor
- Massachusetts continues to be “big” winner

# Wage index – Rural floor

## Proposed FY 2014 IPPS estimated payments due to rural floor and imputed floor with national budget neutrality

| State          | Number of hospitals | Number of hospitals receiving rural floor or imputed floor | Percent change in payments | Difference (in millions) |
|----------------|---------------------|--|----------------------------|--------------------------|
| California     | 308                 | 178  | 0.9                        | \$86.40                  |
| Massachusetts  | 61                  | 60   | 5.6                        | \$169.10                 |
| Connecticut    | 32                  | 27   | 4.9                        | \$75.00                  |
| New York       | 166                 | 2  | -0.6                       | (\$46.50)                |
| Florida        | 168                 | 5  | -0.4                       | (\$29.60)                |
| North Carolina | 87                  | 0  | -0.4                       | (\$15.20)                |
| Texas          | 323                 | 3  | -0.5                       | (\$31.90)                |

# More on floors

- Frontier floor
  - Montana, North Dakota, South Dakota and Wyoming, covering 46 providers, would receive a frontier floor value of 1.0000
- Imputed floor
  - Benefits only New Jersey – Providers in New Jersey

# Occupational mix

- Proposed FY 2014 occupational mix adjusted national average hourly wage is **\$38.2094**

| Occupational mix nursing subcategory       | Proposed average hourly wage |
|--|------------------------------|
| National RN                                | 37.432120148                 |
| National LPN and surgical technician       | 21.773706724                 |
| National nurse aide, orderly and attendant | 15.327583858                 |
| National medical assistant                 | 17.213605923                 |
| National nurse category                    | 31.811167234                 |

# Reclassifications

- FY 2014 – 332 approved
- FY 2013 – 192 approved
- FY 2012 – 249 approved
- CMS says there are 773 hospitals reclassified for FY 2014
- Have 45 days past this rule to revoke
- Applications to MGCRB due by September 3

# Outliers

- Proposing an outlier fixed-loss cost threshold for FY 2014 equal to the prospective payment rate for the DRG, plus any IME and DSH payments, and any add-on payments for new technology, plus **\$24,140**
- The current amount is **\$21,821**
- CMS currently estimates that actual outlier payments for FY 2013 will be approximately 5.17% of actual total MS-DRG payments, approximately 0.1 percentage points higher than the 5.1% projected when setting the outlier policies for FY 2013



# Resignations

- “Lugar” hospitals – by statute
  - List available on the [CMS website](#)
- Waiving Lugar for the out-migration adjustment
  - Becomes rural for all purposes
- FY 2014 wage index adjustment based on commuting patterns of hospital employees
  - Refer table 4J

# MDH and low-volume hospitals

- Both programs expire FY 2014
- Low-volume reverts to 200 discharges

# Documentation and coding

- **Forget the past**
- ***American Taxpayers Relief Act*** changes the game
- Requires CMS to recoup \$11 billion over four years starting in FY 2014
- CMS proposes 0.8% reduction
- This amount would recover about \$1 billion
- **How do you get the remaining \$10+ billion?**
- **Will this item ever be settled?**

# Documentation and coding (continued)

- Compound the reductions:
  - 2014 0.8% = \$1 billion =  $1.0000 - .008 = 0.992$
  - 2015 \$2 billion  $.992 \times .992 = 0.984$
  - 2016 \$3 billion  $.984 \times .992 = 0.976$
  - 2017 \$4 billion  $.976 \times .992 = 0.968$
  - Total \$10 billion

# CMS addendum table

|  |  |   |  |   |
|--|--|---|--|---|
|  | <p>Full update<br/>(1.8%)</p> <p>Wage index<br/>is greater<br/>than 1.0000;</p> <p>Labor /<br/>nonlabor<br/>share<br/>percentage<br/>(69.6/30.4)</p> | <p>Full update<br/>(1.8%)</p> <p>Wage index<br/>is less than<br/>or equal to<br/>1.0000;</p> <p>Labor /<br/>nonlabor<br/>share<br/>percentage<br/>(62/38)</p> | <p>Reduced<br/>update<br/>(-.02%)</p> <p>Wage index<br/>is greater<br/>than 1.0000;</p> <p>Labor /<br/>nonlabor<br/>share<br/>percentage<br/>(69.6/30.4)</p> | <p>Reduced<br/>update<br/>(-.02%)</p> <p>Wage index is<br/>less than or<br/>equal to<br/>1.0000;</p> <p>Labor /<br/>nonlabor<br/>share<br/>percentage<br/>(62/38)</p> |
|--|--|---|--|---|

# CMS addendum table (continued)

|   | Full update<br>(1.8%)<br>(69.6/30.4)            | Full update<br>(1.8%)<br>(62/38)                | Reduced<br>update<br>(-.02%)                    | Reduced update<br>(-.02%)                       |
|---|---|---|---|---|
| <b>FY 2013 Base Rate after removing:</b><br><b>1. FY 2013 Geographic Reclassification Budget Neutrality (0.991276)</b><br><b>2. FY 2013 Rural Community Hospital Demonstration Program Budget Neutrality (0.999677)</b><br><b>3. Cumulative FY 2008, FY 2009, FY 2012, FY 2013 Documentation and Coding Adjustment as Required under Sections 7(b)(1)(A) and 7(b)(1)(B) of Pub. L. 110-90 (0.9478)</b><br><b>4. FY 2013 Operating Outlier Offset (0.948999)</b> | Labor:<br>\$4,176.63<br>Nonlabor:<br>\$1,824.27 | Labor:<br>\$3,720.56<br>Nonlabor:<br>\$2,280.34 | Labor:<br>\$4,176.63<br>Nonlabor:<br>\$1,824.27 | Labor:<br>\$3,720.56<br>Nonlabor:<br>\$2,280.34 |

# CMS addendum table (continued)

|   | Full update<br>(1.8%)<br>(69.6/30.4) | Full update<br>(1.8%)<br>(62/38) | Reduced<br>update<br>(-.02%) | Reduced update<br>(-.02%) |
|---|--------------------------------------|----------------------------------|------------------------------|---------------------------|
| Proposed FY <b>2014 Update Factor</b>   | 1.018                                | 1.018                            | 0.998                        | 0.998                     |
| Proposed FY 2014 <b>MS-DRG Recalibration</b> and Wage Index Budget Neutrality Factor  | 0.99735                              | 0.99735                          | 0.99735                      | 0.99735                   |
| Proposed FY 2014 <b>Reclassification Budget</b> Neutrality Factor   | 0.990971                             | 0.990971                         | 0.990971                     | 0.990971                  |
| Proposed FY 2014 <b>Rural Community Demonstration Program Budget</b> Neutrality Factor  | 0.999834                             | 0.999834                         | 0.999834                     | 0.999834                  |
| Proposed FY 2014 Operating <b>Outlier Factor</b>  | 0.948997                             | 0.948997                         | 0.948997                     | 0.948997                  |
| Proposed Adjustment to Offset the Cost of the <b>Policy Proposal on Admission and Medical Review Criteria for Hospital Inpatient Services under Medicare Part A</b> | 0.998                                | 0.998                            | 0.998                        | 0.998                     |

# CMS addendum table (continued)

|   | Full update<br>(1.8%)<br>(69.6/30.4) | Full update<br>(1.8%)<br>(62/38) | Reduced<br>update<br>(-.02%) | Reduced update<br>(-.02%) |
|---|--------------------------------------|----------------------------------|------------------------------|---------------------------|
| <b>Cumulative Factor:</b> FY 2008, FY 2009, FY 2012, and FY 2013 Documentation and Coding Adjustment as Required under Sections 7(b)(1)(A) and 7(b)(1)(B) of Pub. L. 110-90 and Proposed Documentation and Coding Recoupment Adjustment as required under Section 631 of the American Taxpayer Relief Act of 2012 | 0.9403                               | 0.9403                           | 0.9403                       | 0.9403                    |



# CMS addendum table (continued)

|  |   |   |                                   |                                   |
|--|---|---|-----------------------------------|-----------------------------------|
|  | <b>Full update<br/>(1.8%)<br/>(69.6/30.4)</b> | <b>Full update<br/>(1.8%)<br/>(62/38)</b> | <b>Reduced update<br/>(-.02%)</b> | <b>Reduced update<br/>(-.02%)</b> |
|--|---|---|-----------------------------------|-----------------------------------|

|   |                         |                         |                         |                         |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| Proposed National Standardized Amount for FY 2014 | Labor:<br>\$3,741.72    | Labor:<br>\$3,333.14    | Labor:<br>\$3,668.21    | Labor:<br>\$3,267.66    |
|   | Nonlabor:<br>\$1,634.32 | Nonlabor:<br>\$2,042.90 | Nonlabor:<br>\$1,602.21 | Nonlabor:<br>\$2,002.76 |

## Polling question three

- Do you believe your Medicare payments for FY 2014 will be less than you are currently receiving?
  - Yes
  - No
  - Don't know

## Documentation and coding (continued)

- FY 2013 documentation and coding adjustment was 0.9478
- Multiply  $0.9478 \times 0.992 = 0.9402176$
- Cited FY 2014 adjustment = 0.9403

## Polling question four

- Did you anticipate the documentation and coding issue will always be a factor?
  - Yes
  - No

# Capital

- Rate would increase from \$425.49 to **\$432.03**

|   | Final FY<br>2013 | Proposed<br>FY 2014 | Change | Percent<br>change |
|---|------------------|---------------------|--------|-------------------|
| Update factor   | 1.012            | 1.009               | 1.009  | 0.9               |
| GAF/DRG adjustment<br>factor  | 0.9998           | 0.9988              | 0.9988 | -0.12             |
| Outlier adjustment factor   | 0.9362           | 0.9451              | 1.0095 | 0.95              |
| Adjustment for admission<br>and medical review<br>criteria <sup>3</sup> | N/A              | 0.998               | 0.998  | -0.2              |
| Capital federal rate  | \$425.49         | <b>\$432.03</b>     | 1.0154 | 1.54              |

# I/P admissions

- Creating a “two midnights” rule
- Longer than two midnights – will be deemed an I/P
- Shorter than two – O/P assumed
  - Exception if good documentation
  - Supports admitting docs expectation that stay > 2 midnights
- Contractor can ignore if hospital suspected of abuse
- Applies to CAHs

# DRGs

- Would use four new cost centers for calculating CCRs
  - Implantable devices
  - MRI
  - CT scans
  - Cardiac cath
- There will now be 19 CCRs
- See Table 5 for new weights
  - Also supplemental table 5 showing weights if only 15 CCRs used
  - Allows comparison

# DRGs (continued)

| MS-DRGS THAT WOULD EXPERIENCE THE <b>LARGEST DECREASE</b> IN RELATIVE WEIGHT |      |   |                              |                              |                   |
|--|------|---|------------------------------|------------------------------|-------------------|
| MS-DRG   | Type | Title   | Relative weight with 15 CCRs | Relative weight with 19 CCRs | Percentage change |
| 90   | MED  | Concussion without CC/MCC   | 0.7614                       | 0.7013                       | -7.90%            |
| 84   | MED  | Traumatic Stupor & Coma, Coma >1 Hour without CC/MCC                | 0.9137                       | 0.8516                       | -6.80%            |
| 87   | MED  | Traumatic Stupor & Coma, Coma <1 Hour without                       | 0.7899                       | 0.7369                       | -6.70%            |
| 965  | MED  | Other Multiple Significant Trauma without CC/MCC                    | 1.0450                       | 0.9800                       | -6.10%            |
| 185  | MED  | Major Chest Trauma without CC/MCC                                   | 0.7281                       | 0.6845                       | -6.00%            |
| 89   | MED  | Concussion with CC  | 0.9959                       | 0.9366                       | -6.00%            |
| 123  | MED  | Neurological Eye Disorder   | 0.7355                       | 0.6920                       | -5.90%            |
| 343  | SURG | Appendectomy without Complicated Principal Diagnosis without CC/MCC | 0.9880                       | 0.9517                       | -5.70%            |
| 53   | MED  | Spinal Disorders & Injuries without CC/MCC                          | 0.9355                       | 0.8825                       | -5.70%            |
| 66   | MED  | Intracranial Hemorrhage or Cerebral Infarction without CC/MCC       | 0.8034                       | 0.7579                       | -5.70%            |



# DRGs (continued)

| MS-DRGS THAT WOULD EXPERIENCE THE <b>LARGEST INCREASE</b> IN RELATIVE WEIGHT |      |   |                     |                     |                   |
|--|------|---|---------------------|---------------------|-------------------|
| MS-DRG   | Type | Title   | Weight with 15 CCRs | Weight with 19 CCRs | Percentage change |
| 454  | SURG | Combined Anterior/Posterior Spinal Fusion with CC   | 7.6399              | 8.0563              | 5.50%             |
| 455  | SURG | Combined Anterior/Posterior Spinal Fusion Without CC/MCC  | 5.9862              | 6.3133              | 5.50%             |
| 484  | SURG | Major Joint & Limb Reattachment Procedure of Upper Extremity without CC/MCC                     | 2.1211              | 2.238               | 5.50%             |
| 225  | SURG | Cardiac Defibrillator Implant with Cardiac Catheterization without AMI/HF/Shock without MCC     | 5.6298              | 5.953               | 5.70%             |
| 223  | SURG | Cardiac Defibrillator Implant with Cardiac Catheterization with AMI/HF/Shock without MCC        | 6.0956              | 6.4482              | 5.80%             |
| 458  | SURG | Spinal Fusion Except Cervical with Spinal Curve/Malignant/Infection OR 9+ Fusion without CC/MCC | 4.8794              | 5.163               | 5.80%             |
| 245  | SURG | AICD Generator Procedures   | 4.4627              | 4.732               | 6.00%             |
| 849  | MED  | Radiotherapy  | 1.3423              | 1.4258              | 6.20%             |
| 946  | MED  | Rehabilitation without CC/MCC   | 1.1295              | 1.2024              | 6.50%             |
| 227  | SURG | Cardiac Defibrillator Implant without Cardiac Catheterization without MCC                       | 5.2193              | 5.5714              | 6.70%             |

# DRGs (continued)

- Minor changes to specific coding procedures, etc

## DRGs (continued)

| MS-DRG | Description   | Proposed FY 2014 Weight | FY 2013 | Percentage Difference |
|--------|---|-------------------------|---------|-----------------------|
| 65     | Intracranial hemorrhage or cerebral infarction w CC   | 1.0794                  | 1.1345  | -4.86%                |
| 189    | Pulmonary Edema & Respiratory Failure                 | 1.2191                  | 1.2461  | -2.17%                |
| 190    | Chronic obstructive pulmonary disease w MCC           | 1.1708                  | 1.1860  | -1.28%                |
| 191    | Chronic obstructive pulmonary disease w CC            | 0.9330                  | 0.9521  | -2.01%                |
| 193    | Simple pneumonia & pleurisy w MCC                     | 1.4553                  | 1.4893  | -2.28%                |
| 194    | Simple pneumonia & pleurisy w CC                      | 0.9753                  | 0.9996  | -2.43%                |
| 247    | Perc cardiovasc proc w drug-eluting stent w/o MCC     | 2.0268                  | 1.9911  | 1.79%                 |
| 287    | Circulatory disorders except AMI, w card cath w/o MCC | 1.0783                  | 1.0709  | 0.69%                 |
| 291    | Heart failure & shock w MCC                           | 1.5067                  | 1.5174  | -0.71%                |
| 292    | Heart failure & shock w CC                            | 0.9952                  | 1.0034  | -0.82%                |
| 309    | Cardiac arrhythmia & conduction disorders W CC        | 0.7881                  | 0.8098  | -2.68%                |
| 310    | Cardiac arrhythmia & conduction disorders w/o CC/MCC  | 0.5514                  | 0.5541  | -0.49%                |

# DRGs (continued)

| MS-DRG | Description  | Proposed FY 2014 weight | FY 2013 | Percentage difference |
|--------|--|-------------------------|---------|-----------------------|
| 312    | Syncope & collapse   | 0.7184                  | 0.7339  | -2.11%                |
| 313    | Chest pain   | 0.5942                  | 0.5617  | 5.79%                 |
| 378    | G.I. hemorrhage w CC   | 1.0032                  | 1.0168  | -1.34%                |
| 392    | Esophagitis, gastroent & misc digest disorders w/o MCC             | 0.7337                  | 0.7375  | -0.52%                |
| 470    | Major joint replacement or reattachment of lower extremity w/o MCC | 2.1515                  | 2.0953  | 2.68%                 |
| 603    | Cellulitis w/o MCC   | 0.8370                  | 0.8392  | -0.26%                |
| 641    | Nutritional & misc metabolic disorders w/o MCC                     | 0.6963                  | 0.6920  | 0.62%                 |
| 682    | Renal Failure w MCC  | 1.5412                  | 1.5862  | -2.84%                |
| 683    | Renal Failure w CC   | 0.9635                  | 0.9958  | -3.24%                |
| 690    | Kidney & urinary tract infections w/o MCC                          | 0.7659                  | 0.7810  | -1.93%                |
| 871    | Septicemia or severe sepsis w/o MV 96+ hours w MCC                 | 1.8560                  | 1.8803  | -1.29%                |
| 872    | Septicemia or severe sepsis w/o MV 96+ hours w/o MCC               | 1.0689                  | 1.0988  | -2.72%                |

## Polling question five

- Do you currently have a positive Medicare margin considering the items discussed so far?
  - Yes
  - No

# Polling question six

- Do you believe it will continue in FY 2014?
  - Yes
  - No

# New technology add-ons

- Continue for Voraxase, Difucid and Zenith
- Five new applications for FY 2014
  - Kcentra™
  - Argus® II Retinal Prosthesis System; Responsive Neurostimulator (RNS®) System
  - Zilver® PTX® Drug Eluting Peripheral Stent
  - MitraClip® System
  - All rejected/not approved, so far
  - Taking comments on these rejections

# IME / GME

- IME multiplier unchanged at 1.35 – By law since FY 2008
- Hospital cannot count a resident training at a CAH for either IME or GME
- Revising yet again the policy concerning the counting of labor / delivery room days
  - Proposing to include labor and delivery days as inpatient days in the Medicare utilization calculation, effective for cost reporting periods beginning on or after October 1, 2013



## IME / GME (continued)

- Notice of closure of a teaching hospital
  - N.Y. hospital – 28 GME and 36 IME slots
  - Accepting applications for the available slots
    - Follow ACA Section 5506 criteria
    - Applications must be received by July 25, 2013
- Expiration of freeze on inflation update for high per resident amounts (PRA)
  - Effective for CR periods beginning in FFY 2014

# DSH Medicare Advantage (MA) days

- CMS reiterates policy regarding MA days
  - Need to be included in the Medicare (SSI) fraction
  - Still believes MA enrollees are “entitled to benefits under Part A” despite 11/15/2012 *Allina Health Services* case
  - Allina case – D.C. court ruled including MA days in the SSI fraction adopted in FY 2005 IPPS final rule not a logical outgrowth of the FY 2004 IPPS proposed rule
  - Proposes to readopt this policy in FY 2014 and after
    - Asking for comments regarding the inclusion of MA days in the Medicare fraction and whether to make a change in the FY 2014 IPPS final rule

# New DSH formula

- Mandated by Section 3133 of ACA
  - For FY 2014 and after
- Splits system into two separate calculations
  - Paid 25% based on “old DSH formula”
  - Paid 75% based on “new uncompensated care payment formula”
    - New formula uses three factors
    - CMS notes there can be no administrative or judicial review of the estimates developed in applying the three factors or of the periods selected to develop the estimates

## Polling question seven

- Does the new DSH calculation apply to capital DSH payments or to operating DSH payments only?
  - Yes, the new formula applies to Capital DSH payments
  - No, the new formula applies to Operating DSH payments only

# Eligibility – DSH\uncompensated care payments

- Must be a Subsection (d) hospital that qualifies for DSH under the “old method” (25%)
- Must qualify in FY 2014 and subsequent years
- If do not qualify under the “old method,” not entitled to new uncompensated care payments (75%)
- Will estimate eligibility for FY 2014 based on most recent data available
- Will pay eligible hospitals on an interim basis
- Final settled based on applicable cost report final settlement

## Polling question eight

- Which of the following hospitals would be eligible to receive DSH\Uncompensated Care payments, if they qualify for DSH payments under the “Old” method?
  - Subsection (d) hospitals
  - Subsection (d) Puerto Rico hospitals
  - Sole Community Hospitals (SCHs)
  - Hospitals participating in the bundled payment initiative
  - Hospitals paid under a waiver (Maryland hospitals)
  - Hospitals participating in the Rural Demonstration project
  - All of the above
  - 1 through 4 only

# DSH Factor One

- Determines 75% of what would have been paid under the old methodology on a prospective basis
- Using CMS actuary estimates from February 2013
  - Most recently submitted Medicare cost reports
  - Inflation updates
  - Assumptions on future changes in case mix and utilization
- Current estimate is **\$9.25 billion**
- For FFY 2014 estimate, will use July 2013 CMS actuary estimates

# DSH Factor One (continued)

## FY 2014 IPPS Proposed Rule : Supplemental Information on the Proposed Medicare DSH Estimates and Proposed Factor 1 in Support of Implementation of Section 3133 of the Affordable Care Act

As calculated by the CMS Office of the Actuary

2009 Medicare DSH Payments as reported on December 2012 Update of the Medicare Hospital Cost Report (in millions)

**\$10,119**

Amount includes Medicare DSH payments for Maryland hospitals, Sole Community Hospitals and hospitals in the Rural Community Hospital Demonstration

### Increases from 2009

| FY   | Update | Discharge | Case mix | Other   | Total    | Medicare DSH<br>(in millions) |
|------|--------|-----------|----------|---------|----------|-------------------------------|
| 2010 | 1.0185 | 1.0007    | 1.006    | 1.00850 | 1.034044 | \$10,463                      |
| 2011 | 0.9945 | 1.0088    | 1.000    | 1.06160 | 1.065052 | \$11,144                      |
| 2012 | 0.9990 | 0.9892    | 1.007    | 1.04500 | 1.039909 | \$11,589                      |
| 2013 | 1.0280 | 1.0004    | 1.005    | 0.99350 | 1.026835 | \$11,900                      |
| 2014 | 0.9960 | 1.0305    | 1.005    | 1.00515 | 1.036822 | <b>\$12,338</b>               |
|      |        |           |          |         |          | x 75%                         |
|      |        |           |          |         |          | <b>\$9,254</b>                |

"Discharge" column reflects assumptions for all inpatient hospitals, not limited to IPPS hospitals.

"Other" column includes impact of only IPPS discharges and impact of DSH payments increasing or decreasing at a different rate than other IPPS payments.

"Update" column is determined as follows:

| FY   | Market Basket Update | Reductions under Affordable Care Act | Productivity Adjustment | Documentation & Coding Adjustment | Total |
|------|----------------------|--------------------------------------|-------------------------|-----------------------------------|-------|
| 2010 | 2.1                  | -0.25                                |                         |                                   | 1.85  |
| 2011 | 2.6                  | -0.25                                |                         | -2.9                              | -0.55 |
| 2012 | 3.0                  | -0.1                                 | -1.0                    | -2.0                              | -0.10 |
| 2013 | 2.6                  | -0.1                                 | -0.7                    | 1.0                               | 2.80  |
| 2014 | 2.3                  | -0.3                                 | -0.4                    | -2.0                              | -0.40 |

All numbers based on FY 2014 Budget projections and is used for the President's Budget.



# DSH Factor Two

- Based on the percent of individuals under 65 who are uninsured
  - Baseline for 2013 – 18% (CBO projection March 2010)
  - FY 2014 percentage = 16% (CBO projection Feb 2013)
    - Will use most recent CBO projection in final rule
    - No retroactive adjustment of percentage after final rule
- FY 2014 statutory reduction = 0.01%
- FY 2015 – FY 2017 statutory reduction = 0.02%
- Reduces Factor One amount by percentage reduction in **uninsured** from 2013 to 2014

## DSH Factor Two (continued)

- Formula
  - $1 - |[(0.16 - 0.18)/0.18]| = 1 - 0.111 = 0.889$  (88.9%)
  - $0.889$  (88.9%) -  $0.001$  (0.1 percentage points) =  $0.888$  (88.8%)  $0.888 =$  Factor Two
- This results in a 11.2% reduction, or **\$8.2 billion pool (\$9.25B x 88.8%)**
- This is the new “pie” to be redistributed to eligible hospitals
- This pool will be determined prospectively and the total pool amount will not be adjusted when the FY 2014 cost reports are finalized

# DSH Factor Three

- Determining each hospital's percentage of the Factor Two "pie"
- Factor Three is a hospital-specific value
  - Estimated uncompensated care for a specific hospital divided by estimated uncompensated care for all hospitals to receive DSH payments in a specific FY
    - Need to define "uncompensated care"
    - Data source for estimating uncompensated care amount
    - Timing and manner of calculation

## DSH Factor Three (continued)

- Definition of “uncompensated care” is bound to be controversial
  - Defining charity care and bad debts
  - Currently not using charity care data from WS S-10
- CMS proposes to use the utilization of insured low-income patients defined as inpatient days of Medicaid patients plus inpatient days of Medicare SSI patients as defined in 42 CFR 412.106(b)(4) and 412.106(b)(2)(i), respectively to determine Factor 3
  - From 2010/2011 cost reports
  - From most recent CMS published SSI percentage (FY 2010)

## DSH Factor Three (continued)

- Tables are posted showing CMS estimate of each hospital's share
  - <http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/dsh.html>
- DSH hospital indicated by “Y”
- Non-DSH hospital indicated by “N”
- CMS computed Factor Three for both “Y” and “N”
- Each hospital should review their reported data for errors
- Will be DSH\uncompensated care winners and losers!

# New DSH formula – Sample calculation

|   |                  |              |              |
|---|------------------|--------------|--------------|
| Estimated Traditional Operating DSH Reimbursement for FY 2014<br>(based on FY 2013 estimate or most recent CR)                            |                  |              | \$ 2,500,000 |
| <b>ACA Impact on DSH Reimbursement:</b>   |                  |              |              |
| 25% of traditional operating DSH reimbursement  |                  | \$ 625,000   |              |
| Factor 1: Pool for Uncompensated Care Payment in Total - Provided in Proposed IPPS Rule*  | \$ 9,253,500,000 |              |              |
| Factor 2: Adjustment for Individuals Without Insurance - Provided in Proposed IPPS Rule*  | 88.8%            |              |              |
| Factor 2 Pool for Uncompensated Care Payment  | \$ 8,217,108,000 |              |              |
| Factor 3: Provider Percentage of Uncompensated Care Payment (based on Medicare SSI & Medicaid days to total of all qualifying providers)* | 0.031000%        |              |              |
| Uncompensated Care Payment for full year  | \$ 2,547,303     |              |              |
| Portion of Uncompensated Care Payment Related to Providers FYE (less than 100% if not FFY)  | 100.00%          |              |              |
| Estimated Uncompensated Care Payment to Hospital  |                  | \$ 2,547,303 |              |
| Estimated operating DSH reimbursement based on ACA impact for FY 2014   |                  |              | \$ 3,172,303 |
| Est Inc\Dec in total DSH Payments for FY 2014   |                  |              | \$ 672,303   |
| Percent Increase / (Decrease)   |                  |              | 26.89%       |

## Polling question nine

- If an eligible hospital was not estimated to receive DSH payments under the old methodology during FY 2014, but does qualify at cost report settlement; will the hospital be paid their full uncompensated care payment at final settlement?
  - Yes, as long as the hospital qualifies for DSH payments under the old methodology; the hospital will receive its proper uncompensated care payments at final settlement
  - No, there is no provisions to settle uncompensated care payments at final settlement

# Readmissions

- Maximum reduction increases to 2%
- Proposing to expand conditions covered by this policy for FY 2015
  - COPD
  - Total hip arthroplasty
  - Total knee arthroplasty



# Value-based purchasing

- Withhold amount increases to 1.25%
- Total amount available for performance-based incentive payments for FY 2014 would be approximately \$1.1 billion
- Suspended the effective dates of eight HAC measures, two AHRQ composite measures, and a Medicare Spending per Beneficiary measure for FY 2014
- Finalized adoption of a Medicare Spending per Beneficiary measure and an AHRQ composite measure for FY 2015

## Value-based purchasing (continued)

- Proposing to remove measures AMI-8a, PN-3b and HF-1 for FY 2016
- Proposing to adopt three new measures for FY 2016
  - One new clinical process measure, influenza immunization
  - Two new health care-associated infection measures, Catheter-Associated Urinary Tract Infection (CAUTI) and Surgical Site Infection (SSI), the latter of which is stratified into two separate surgery sites

# HAC reduction

- Affects payment in FY 2015
- **Lowest-performing quartile get 1.0% reduction**
- Proposed measures of two types (domains)
  - Each weighted equally
- First domain – Six patient safety indicators
  - Pressure ulcers rate
  - Foreign objects left in body percent
  - Iatrogenic Pneumothorax rate
  - Post-op physiologic / metabolic derangement rate
  - Post-op pulmonary embolism / deep vein thrombosis rate
- Second domain – Two infection measures
  - Central Line-Associated Blood Stream Infection (CLABSI)
  - Catheter-Associated Urinary Tract Infection (CAUTI)

# HAC reduction (continued)

- Would be risk-adjusted
- Process for hospitals to review and correct information
- Relevant time period is 7/1/2011 to 6/30/2013
- Scoring is a mystery

# Quality reporting

- Proposing to remove eight measures for FY 2016
- Adding five for FY 2016 (outcome-focused)
- Cancer hospitals
  - For FY 2015 – one new measure
  - For FY 2016 – 13 new measures
- Psych hospitals
  - For FY 2016 – three new measures

# Long-term care hospitals

- Update of 1.8% (-0.2% for non-reports)
  - Market basket of 2.5%
  - Less ACA offsets of (0.7%)
- Standardized amount adjustment
  - 0.98734
  - Second-year of three-year adjustment period
- Results in proposed Federal rate of \$40,622.06
  - Current is \$40,397.96
- Labor-related share is 62.717
  - Current is 63.096
- Fixed-loss amount is \$14,139
  - Current is \$15,408
- Update quality reporting
- 25% rule reinstated

# Questions



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