Issue Brief

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KEY POINTS

- Inpatient prospective payment rates for fiscal year would be reduced by 0.04 percent and is estimated to save $750 million from 2017-2026.
- Lift moratorium prohibiting existing long-term hospitals from increasing number of beds would increase spending by $20 million from 2017-2026. LTCH payment rates likewise would be reduced 0.08 percent.
- Exemption from BBA 2015 HOPD moratorium would be lifted for approximately 100 facilities that were under construction when the law took effect. This provision would increase Medicare spending by $750 million from 2017-2026.
- Enacting a provision which would establish beneficiary equity in the Medicare hospital readmissions reduction program would be budget neutral.

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MISSOURI HOSPITAL ASSOCIATION

CBO Releases Cost Estimate of HR 5273 – Helping Hospitals Improve Patient Care Act of 2016

The Congressional Budget Office has issued its cost estimate of the provisions contained in HR 5273. H.R. 5273 would modify Medicare payment rules for certain hospital outpatient departments and some hospital inpatient services, increase the number of beds for long-term care hospitals, extend a demonstration involving rural community hospitals, modify meaningful use standards for some physicians practicing in ambulatory surgical centers, and delay the Centers for Medicare and Medicaid Services' authority to terminate certain Medicare Advantage contracts.

A copy of the material is available at: https://www.cbo.gov/publication/51651?utm_source=feedblitz&utm_medium=FeedBlitzEmail&utm_content=812526&utm_campaign=Express_%272016-06-03%2013%3a30%3a00%27

COMMENT

This bill has yet to pass the full House. It is difficult to determine when or if it may pass and more difficult to assume possible enactment. What is interesting, are the items being addressed.

TITLE I. PROVISIONS AFFECTING MEDICARE PART A

IPPS Update

The bill would reduce the update to IPPS payment rates for services furnished in fiscal year 2018 by 0.04 percentage points. CBO estimates that provision would reduce direct spending for Medicare by $750 million during the 2017-2026 period.

Rural Hospital Demonstration

Section 103 of the bill would extend the Rural Community Hospital Demonstration Program for an additional five years and allow more hospitals to enter the demonstration. Under the demonstration program, Medicare pays certain hospitals in rural areas on the basis of the reasonable costs they incur instead of using the payment rates determined by Medicare's Inpatient Prospective Payment System. CBO estimates that enacting this provision would increase direct spending in fiscal years 2017 and 2018. However, when the cost reports for those years are settled (generally five years after the fiscal year ends), the Medicare program would recoup those increases in payments by reducing the payment rates for all hospitals paid under the IPPS. Those changes in

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payments to hospitals also would affect payment rates for Medicare Advantage plans, which are based on spending in the fee-for-service part of Medicare.

Long-Term Care Hospitals

This provision would lift a moratorium in current law that prohibits existing long-term care hospitals from increasing the number of beds in their facilities. CBO estimates that provision would increase payments to LTCHs by about $20 million during the 2017-2026 period. To offset that increase, payment rates for LTCH services would be reduced by 0.08 percent beginning in 2017.

Other Provisions

The bill would require the Secretary of Health and Human Services to develop a mechanism that would enable services provided in an outpatient department to be assigned to the diagnosis-related groups that are used to set payment rates for hospital inpatient services.

In addition, the bill would require the Secretary to modify the criteria for determining which hospitals are subject to payment reductions related to high readmission rates. CBO estimates those provisions would have no budgetary effect.

TITLE II. PROVISIONS AFFECTING MEDICARE PART B

Payment Rules for Off-Campus Outpatient Departments

The bill would exempt certain hospital outpatient departments from payment rules established in the Bipartisan Budget Act of 2015. Those payment rules require Medicare to pay for services furnished in new off-campus facilities using the payment rates that would have been in effect if the services were performed in an office setting or an ambulatory surgical center beginning in 2018.

Off-campus facilities that were already billing as HOPDs when BBA15 was enacted continue to receive the higher payment rates that apply to an outpatient department on the campus of a hospital. H.R. 5273 would allow off-campus facilities that were under construction on November 2, 2015, to be paid at the same rates as an HOPD beginning in 2018. H.R. 5273 would require such facilities to document and attest that status, and the Secretary of Health and Human Services would be required to conduct audits during 2017 and 2018.

Nearly 100 hospitals have identified themselves as having off-campus facilities under construction on November 2, 2015. Based on that information, CBO estimates that increasing payment rates for services provided in those facilities would increase net Medicare spending by $750 million over the 2017-2026 period.

Payment Rules for Off-Campus Outpatient Departments of Cancer Hospitals

This provision would exclude new off-campus facilities in cancer hospitals that are exempt from Medicare's prospective payment system from the lower payment rates established in BBA15. Payment rates for services in these new off-campus facilities would continue under the rules in place prior to enactment of BBA15 and would generally be higher.

Electronic Health Records in Ambulatory Surgical Centers

Section 203 of H.R 5273 would exempt eligible professionals based in an ambulatory surgical center from being subject to payment reductions for failing to meet the requirements for meaningful use of electronic health records that were established by the Health Information Technology Act of 2009. That exemption

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would apply to payments made in calendar years 2017 and 2018 and would continue under the Merit-Based Incentive Payment System starting in 2019. The exemption would expire three years after the Secretary determines that certified EHR technology applicable to ASCs is available.

TITLE III. OTHER MEDICARE PROVISIONS

Delay Termination for Medicare Advantage Plans

Under current law, the Centers for Medicare & Medicaid Services has announced that, beginning with plan year 2017, it will not renew contracts with Medicare Advantage plans that fail, for three consecutive years, to achieve at least three stars under the 5-star quality-rating system.

The bill would delay CMS' authority to terminate those contracts until plan year 2020. Thus, enacting the legislation would permit certain plans that otherwise would not be renewed under current law to continue operating through 2019. Those plans tend to receive slightly lower payments than other Medicare Advantage plans in the same areas, in part because they do not receive bonus payments under the five-star rating system.

CBO projects that very few beneficiaries—less than 0.1 percent of MA enrollees—will be enrolled in plans that fail to achieve minimum quality ratings, and thus would be subject to the changes under the legislation. Permitting those plans to continue operating would reduce direct spending by $20 million over the 2017-2026 period, CBO estimates.