

Issue Brief

FEDERAL ISSUE BRIEF • October 3, 2016

KEY POINTS

- Although most corrections are minor, they do effect the final payment rates for IPPS hospitals.
- The changes are effective Oct. 1, 2016.

CMS Issues FY 2017 Medicare IPPS Correction Notice

The Centers for Medicare & Medicaid Services has issued a correction notice to the Hospital Inpatient Prospective Payment System for fiscal year 2017. The changes are effective as of Oct. 1, 2016.

The 47-Page display copy is at <https://www.federalregister.gov/d/2016-24042>. Publication in the *Federal Register* is scheduled for Oct. 5.

Most changes are minimal in nature, but many do impact the final payment amounts.

PAYMENT RATES AND TABLES

The tables below represent the FY 2017 standardized amounts published in the August *Federal Register*.

Table 1a. National Adjusted Operating Standardized Amounts, Labor/Nonlabor (69.6 Percent Labor Share/30.4 Percent Nonlabor Share If Wage Index Is Greater Than 1) – FY 2017

Hospital Submitted Quality Data and is a Meaningful EHR User (Update = 1.65 Percent)		Hospital Submitted Quality Data and is NOT a Meaningful EHR User (Update = -0.375 Percent)		Hospital Did NOT Submit Quality Data and is a Meaningful EHR User (Update = 0.975 Percent)		Hospital Did NOT Submit Quality Data and is NOT a Meaningful EHR User (Update = -1.05 Percent)	
Labor	Nonlabor	Labor	Nonlabor	Labor	Nonlabor	Labor	Nonlabor
\$3,839.57	\$1,677.06	\$3,763.08	\$1,643.65	\$3,814.07	\$1,665.92	\$3,737.58	\$1,632.51

Table 1b. National Adjusted Operating Standardized Amounts, Labor/Nonlabor (62 Percent Labor Share/38 Percent Nonlabor Share If Wage Index Is Less Than or Equal to 1) – FY 2017

Hospital Submitted Quality Data and is a Meaningful EHR User (Update = 1.65 Percent)		Hospital Submitted Quality Data and is NOT a Meaningful EHR User (Update = -0.375 Percent)		Hospital Did NOT Submit Quality Data and is a Meaningful EHR User (Update = 0.975 Percent)		Hospital Did NOT Submit Quality Data and is NOT a Meaningful EHR User (Update = -1.05 Percent)	
Labor	Nonlabor	Labor	Nonlabor	Labor	Nonlabor	Labor	Nonlabor
\$3,420.31	\$2,096.32	\$3,352.17	\$2,054.56	\$3,397.59	\$2,082.40	\$3,329.46	\$2,040.63

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continued

The following tables reflect the corrected amounts.

Table 1a. National Adjusted Operating Standardized Amounts, Labor/ Nonlabor (69.6 Percent Labor Share/30.4 Percent Nonlabor Share If Wage Index Is Greater Than 1) – FY 2017 is corrected to read as follows							
Hospital Submitted Quality Data and is a Meaningful EHR User (Update = 1.65 Percent)		Hospital Submitted Quality Data and is NOT a Meaningful EHR User (Update = -0.375 Percent)		Hospital Did NOT Submit Quality Data and is a Meaningful EHR User (Update = 0.975 Percent)		Hospital Did NOT Submit Quality Data and is NOT a Meaningful EHR User (Update = -1.05 Percent)	
Labor	Nonlabor	Labor	Nonlabor	Labor	Nonlabor	Labor	Nonlabor
\$3,839.23	\$1,676.91	\$3,762.75	\$1,643.50	\$3,813.74	\$1,665.77	\$3,737.25	\$1,632.37

The change amounts are as follows.

Labor	Nonlabor	Labor	Nonlabor	Labor	Nonlabor	Labor	Nonlabor
-\$-.34	-\$-.15	-\$-.83	-\$-.15	-\$-.33	-\$-.15	-\$-.33	-\$-.14

Table 1b. National Adjusted Operating Standardized Amounts, Labor/ Nonlabor (62 Percent Labor Share/38 Percent Nonlabor Share If Wage Index Is Less Than or Equal to 1) – FY 2017 is corrected to read as follows							
Hospital Submitted Quality Data and is a Meaningful EHR User (Update = 1.65 Percent)		Hospital Submitted Quality Data and is NOT a Meaningful EHR User (Update = -0.375 Percent)		Hospital Did NOT Submit Quality Data and is a Meaningful EHR User (Update = 0.975 Percent)		Hospital Did NOT Submit Quality Data and is NOT a Meaningful EHR User (Update = -1.05 Percent)	
Labor	Nonlabor	Labor	Nonlabor	Labor	Nonlabor	Labor	Nonlabor
\$3,420.01	\$2,096.13	\$3,351.88	\$2,054.37	\$3,397.30	\$2,082.21	\$3,329.16	\$2,040.46

The change amounts are as follows.

Labor	Nonlabor	Labor	Nonlabor	Labor	Nonlabor	Labor	Nonlabor
-\$-.30	-\$-.19	-\$-.29	-\$-.19	-\$-.29	-\$-.19	-\$-.30	-\$-.17

The following addendum table reflects the various changes in budget neutrality items with changes indicated in red.

	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 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 2016 Geographic Reclassification Budget Neutrality (0.988169)	Labor (69.6%): \$4,394.09	Labor (69.6%): \$4,394.09	Labor (69.6%): \$4,394.09	Labor (69.6%): \$4,394.09
2. FY 2016 Rural Community Hospital Demonstration Program Budget Neutrality (0.999837)	Nonlabor (30.4%): \$1,919.26 (Combined labor and nonlabor = \$6,313.35)	Nonlabor (30.4%): \$1,919.26 (Combined labor and nonlabor = \$6,313.35)	Nonlabor (30.4%): \$1,919.26 (Combined labor and nonlabor = \$6,313.35)	Nonlabor (30.4%): \$1,919.26 (Combined labor and nonlabor = \$6,313.35)
3. Cumulative 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 (09255)	If Wage Index is less Than or Equal to 1.0000: Labor (62%): \$3,914.28 Nonlabor (38%): \$2,399.07 (Combined labor and nonlabor = \$6,313.35)	If Wage Index is less Than or Equal to 1.0000: Labor (62%): \$3,914.28 Nonlabor (38%): \$2,399.07 (Combined labor and nonlabor = \$6,313.35)	If Wage Index is less Than or Equal to 1.0000: Labor (62%): \$3,914.28 Nonlabor (38%): \$2,399.07 (Combined labor and nonlabor = \$6,313.35)	If Wage Index is less Than or Equal to 1.0000: Labor (62%): \$3,914.28 Nonlabor (38%): \$2,399.07 (Combined labor and nonlabor = \$6,313.35)
4. FY 2016 Operating Outlier Offset (0.948998)				
5. FY 2016 New Labor Market Delineation Wage Index Transition Budget Neutrality Factor (0.999998)				
6. FY2017 Proposed 2-Midnight Rule Permanent Adjustment (1/0.998)				
FY 2017 Update Factor	1.0165	0.99625	1.00975	0.9895
FY 2017 MS-DRG Recalibration Budget Neutrality Factor	0.999078	0.999078	0.999078	0.999078
FY 2017 Wage Index Budget Neutrality Factor	1.00021	1.00021	1.00021	1.00021
FY 2017 Reclassification Budget Neutrality Factor	0.988136	0.988136	0.988136	0.988136
FY 2017 Operating Outlier Factor	0.948999	0.948999	0.948999	0.948999

	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
Cumulative Factor: FY 2008, FY 2009, FY 2012, FY 2013, FY 2014, FY 2015, FY 2016 and FY 2017 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	0.9118	0.9118	0.9118	0.9118
FY 2017 New Labor Market Delineation Wage Index Three Year Hold Harmless Transition Budget Neutrality Factor	0.999997	0.999997	0.999997	0.999997
FY 2017 2-Midnight Rule One-Time Prospective Increase	1.006	1.006	1.006	1.006
National Standardized Amount for FY 2017 if Wage Index is Greater Than 1.0000; Labor/Non-Labor Share Percentage (69.6/30.4)	Labor: \$3,839.23 Nonlabor: \$1,676.91	Labor: \$3,762.75 Nonlabor: \$1,643.50	Labor: \$3,813.74 Nonlabor: \$1,665.77	Labor: \$3,737.25 Nonlabor: \$1,632.37
National Standardized Amount for FY 2017 if Wage Index is less Than or Equal to 1.0000; Labor/Non-Labor Share Percentage (62/38)	Labor: \$3,420.01 Nonlabor: \$2,096.13	Labor: \$3,351.88 Nonlabor: \$2,054.37	Labor: \$3,397.30 Nonlabor: \$2,082.21	Labor: \$3,329.16 Nonlabor: \$2,040.46

Capital

The capital standard federal payment rate—FY 2017 is corrected from \$446.81 to \$446.79, a difference of \$-.02.

Outliers

The outlier threshold is corrected from \$23,570 to \$23,573.

Other

There are a number of changes involving DRG codes and assignments. CMS is also correcting a number of tables on the CMS website.

Analysis provided for MHA
by Larry Goldberg,
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COMMENT

As always, it is important to review the rule itself to ensure total understanding of all corrections being made.