

Issue Brief

FEDERAL ISSUE BRIEF • OCTOBER 8, 2019

CMS Issues Correction Notice to Final FY 2020 IPPS Rule

The Centers for Medicare & Medicaid Services issued a final rule regarding corrections to the FY 2020 Inpatient Prospective Payment System update. The document corrects technical and typographical errors in the final IPPS rule that appeared in the Aug. 16, 2019, issue of the *Federal Register*. A copy is at <https://www.govinfo.gov/content/pkg/FR-2019-10-08/pdf/2019-21865.pdf>

The final rule is effective retroactively to Oct. 1, 2019.

COMMENT

It seems that CMS is making corrections to its final IPPS rules every year. Perhaps this is a result of issuing the proposed rules later than April 1 and being unable to thoroughly review and respond to stakeholder comments before releasing and reviewing the final rule by August.

While CMS is correcting many typographical items, the material that follows basically addresses only changes in values that impact payments.

CORRECTION OF ERRORS:

The FY 2020 standardized payment amounts are revised as follows.

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continued

Table 1a. — National Adjusted Operating Standardized Amounts, Labor/Nonlabor (68.3% Labor Share/31.7% Nonlabor Share If Wage Index Is Greater Than 1) — FY 2020

Hospital Submitted Quality Data and is a Meaningful EHR User (Update = 2.6%)		Hospital Submitted Quality Data and is NOT a Meaningful EHR User (Update = 0.35%)		Hospital Did NOT Submit Quality Data and is a Meaningful EHR User (Update = 1.85%)		Hospital Did NOT Submit Quality Data and is NOT a Meaningful EHR User (Update = -0.4%)	
Labor	Nonlabor	Labor	Nonlabor	Labor	Nonlabor	Labor	Nonlabor
\$3,959.10	\$1,837.53	\$3,872.28	\$1,797.23	\$3,930.16	\$1,824.10	\$3,843.34	\$1,783.80

Amounts as published in August:

Labor	Nonlabor	Labor	Nonlabor	Labor	Nonlabor	Labor	Nonlabor
\$3,962.17	\$1,838.96	\$3,875.28	\$1,798.63	\$3,933.21	\$1,825.52	\$3,846.32	\$1,785.19

Table 1b. — National Adjusted Operating Standardized Amounts, Labor/Nonlabor (62% Labor Share/38% Nonlabor Share If Wage Index Is Less Than or Equal To 1) — FY 2020

Hospital Submitted Quality Data and is a Meaningful EHR User (Update = 2.6%)		Hospital Submitted Quality Data and is NOT a Meaningful EHR User (Update = 0.35%)		Hospital Did NOT Submit Quality Data and is a Meaningful EHR User (Update = 1.85%)		Hospital Did NOT Submit Quality Data and is NOT a Meaningful EHR User (Update = -0.4%)	
Labor	Nonlabor	Labor	Nonlabor	Labor	Nonlabor	Labor	Nonlabor
\$3,593.91	\$2,202.72	\$3,515.10	\$2,154.41	\$3,567.64	\$2,186.62	\$3,488.83	\$2,138.31

Amounts as published in August:

Labor	Nonlabor	Labor	Nonlabor	Labor	Nonlabor	Labor	Nonlabor
\$3,596.70	\$2,204.43	\$3,517.82	\$2,156.09	\$3,570.41	\$2,188.32	\$3,491.54	\$2,139.97

COMMENT

The revised rates are lower than those issued in August. For hospitals submitting quality data and are meaningful EHR users, the reduction is \$4.50 per discharge before case-mix weighting.

Capital Rate

FY 2020 is reduced from \$462.61 as follows.

Table 1d. — Capital Standard Federal Payment Rate	
	Rate
National	\$462.33

LTCH Rates

FY 2020 is corrected to read as follows.

Table 1e. — Long-term Care Hospital PPS Standard Federal Payment Rate		
	Full Update (2.5%)	Reduced Update* (0.5%)
Standard Federal Rate	\$42,677.64	\$41,844.90

* For LTCHs that fail to submit quality reporting data for FY 2020 in accordance with the LTCH Quality Reporting Program, the annual update is reduced by 2.0 percentage points as required by section 1886(m)(5) of the act.

CMS is making the following changes notated in red in the table below.

	Hospital Submitted Quality Data and is a Meaningful EHR User (Update = 2.6%)	Hospital Submitted Quality Data and is NOT a Meaningful EHR User (Update = 0.35%)	Hospital Did NOT Submit Quality Data and is a Meaningful EHR User (Update = 1.0185%)	Hospital Did NOT Submit Quality Data and is NOT a Meaningful EHR User (Update = 0.996%)
FY 2020 Base Rate after removing: 1. FY 2019 Geographic Reclassification Budget Neutrality (0.985335) 2. FY 2019 Operating Outlier Offset (0.948999) 3. FY 2019 Rural Demonstration Budget Neutrality Factor (0.999467)	If Wage Index is Greater Than 1.0000: Labor (68.3%): \$4,126.19 Nonlabor (31.7%): \$1,915.09 (Combined labor and nonlabor = \$6,041.28)	If Wage Index is Greater Than 1.0000: Labor (68.3%): \$4,126.19 Nonlabor (31.7%): \$1,915.09 (Combined labor and nonlabor = \$6,041.28)	If Wage Index is Greater Than 1.0000: Labor (68.3%): \$4,126.19 Nonlabor (31.7%): \$1,915.09 (Combined labor and nonlabor = \$6,041.28)	If Wage Index is Greater Than 1.0000: Labor (68.3%): \$4,126.19 Nonlabor (31.7%): \$1,915.09 (Combined labor and nonlabor = \$6,041.28)
	If Wage Index is Less Than or Equal to 1.0000: Labor (62%): \$3,745.59 Nonlabor (38%): \$2,295.69 (Combined labor and nonlabor = \$6,041.28)	If Wage Index is Less Than or Equal to 1.0000: Labor (62%): \$3,745.59 Nonlabor (38%): \$2,295.69 (Combined labor and nonlabor = \$6,041.28)	If Wage Index is Less Than or Equal to 1.0000: Labor (62%): \$3,745.59 Nonlabor (38%): \$2,295.69 (Combined labor and nonlabor = \$6,041.28)	If Wage Index is Less Than or Equal to 1.0000: Labor (62%): \$3,745.59 Nonlabor (38%): \$2,295.69 (Combined labor and nonlabor = \$6,041.28)
FY 2020 Update Factor	1.026	1.0035	1.0185	0.996
FY 2020 MS-DRG Recalibration Budget Neutrality Factor	0.996859	0.996859	0.996859	0.996859
FY 2020 Wage Index Budget Neutrality Factor	1.001573	1.001573	1.001573	1.001573
FY 2020 Reclassification Budget Neutrality Factor	0.985447	0.985447	0.985447	0.985447
FY 2020 Lowest Quartile Budget Neutrality Factor	0.997984	0.997984	0.997984	0.997984
FY 2020 Transition Budget Neutrality Factor	0.998835	0.998835	0.998835	0.998835
FY 2020 Operating Outlier Factor	0.949	0.949	0.949	0.949
FY 2020 Rural Demonstration Budget Neutrality Factor	0.999771	0.999771	0.999771	0.999771
Adjustment for FY 2020 Required under Section 414 of Pub. L. 114-10 (MACRA)	1.005	1.005	1.005	1.005
National Standardized Amount for FY 2020 if Wage Index is Greater Than 1.0000:	Labor: \$3,959.10	Labor: \$3,872.28	Labor: \$3,930.16	Labor: \$3,843.34
Labor/Nonlabor Share Percentage (68.3/31.7)	Nonlabor: \$1,837.53	Nonlabor: \$1,797.23	Nonlabor: \$1,824.10	Nonlabor: \$1,783.80
National Standardized Amount for FY 2020 if Wage Index is less Than or Equal to 1.0000:	Labor: \$3,593.91	Labor: \$3,515.10	Labor: \$3,567.64	Labor: \$3,488.83
Labor/Nonlabor Share Percentage (62.0/38.0)	Nonlabor: \$2,202.72	Nonlabor: \$2,154.41	Nonlabor: \$2,186.62	Nonlabor: \$2,138.31

Outliers

The outlier threshold changes from the prospective payment rate for the MS-DRG, plus any independent medical exam, empirically justified Medicare DSH payments, estimated uncompensated care payment, and any add-on payments for new technology, plus \$26,473 to **\$26,552**.

Summary of Errors in and Corrections to Files and Tables Posted on the CMS Website

The tables that are available on the internet have been updated to reflect the revisions discussed in this rule.

Table 2 — Case-Mix Index and Wage Index Table

The correction of the error related to one hospital's Medicare Geographic Classification Review Board reclassification status, the correction of the application of the rural floor to one hospital, and the correction of the application of the out-migration adjustment to hospitals that reclassified to their home area **necessitated the recalculation of the FY 2020 wage indexes**.

Because of corrections to the version 37 MS-DRG assignment for some cases in the historical claims data and the resulting recalculation of the relative weights and ALOS, CMS is correcting the values for all hospitals in the columns titled "FY 2020 Wage Index Prior to Quartile and Transition," "FY 2020 Wage Index with Quartile," and "FY 2020 Wage Index with Quartile and Cap."

Table 3 — Wage Index Table by CBSA — FY 2020.

CMS is making corresponding changes to the wage indexes and geographic adjustment factors of all Core-Based Statistical Areas listed in Table 3. Specifically, CMS is correcting the values and flags in the columns titled "Wage Index," "GAF," "Reclassified Wage Index," "Reclassified GAF," "State Rural Floor," "Eligible for Rural Floor Wage Index," "Pre-Frontier and/or Pre-Rural Floor Wage Index," "Reclassified Wage Index Eligible for Frontier Wage Index," "Reclassified Wage Index Eligible for Rural Floor Wage Index," and "Reclassified Wage Index Pre-Frontier and/or Pre-Rural Floor."

Table 5 — List of Medicare Severity Diagnosis-Related Groups, Relative Weighting Factors, and Geometric and Arithmetic Mean Length of Stay — FY 2020

CMS is correcting this table to reflect the recalculation of the relative weights, geometric average length-of-stay and arithmetic mean LOS as a result of the corrections to the version 37 MS-DRG assignment.

Table 7B — Medicare Prospective Payment System Selected Percentile Lengths of Stay

CMS is correcting this table to reflect the recalculation of the relative weights, geometric average length-of-stay and arithmetic mean LOS as a result of the corrections to the version 37 MS-DRG Assignment.

Table 18 — FY 2020 Medicare DSH Uncompensated Care Payment Factor 3

CMS is correcting this table to reflect corrections to the Factor 3 calculations for

purposes of determining uncompensated care payments for the FY 2020 IPPS/LTCH PPS final rule for the following reasons.

- To correct the Factor 3s that were computed for hospitals where a MAC had accepted an amended report, reopened a report, and/or adjusted uncompensated care cost data on a report, but the corrected uncompensated care data were inadvertently omitted from the June 30, 2019, extract of the Healthcare Cost Report Information System.
- To correct for the inadvertent inclusion of terminated hospitals in the Factor 3 calculations.

*Analysis provided for MHA
by Larry Goldberg,
Goldberg Consulting*

New Technology

CMS is modifying the maximum cost payment for new technology GIAPREZATM from \$4,083.75 to \$1,950.

FINAL COMMENTS

This is not an easy document to read. One also must find and compare all the citations in the August rule to understand the changes being made.

It is interesting to note that while this rule is intended to correct errors, CMS is adding new material based on its invitation soliciting public comment on its proposed FY 2020 IPPS methodology for projecting the estimate of outlier reconciliation and incorporating that estimate into the modeling for the fixed-loss cost outlier threshold.
