

# Issue Brief

FEDERAL ISSUE BRIEF • October 4, 2017

## CMS Publishes Correction Notice To Final FY 2018 Medicare IPPS and LTCH Update

The Centers for Medicare & Medicaid Services issued a correction notice to the final inpatient PPS rule that appeared in the August 14 Federal Register. The correction notice is effective on Oct. 1 and appears in the Oct. 4 *Federal Register*. A copy is available at: <https://www.gpo.gov/fdsys/pkg/FR-2017-10-04/pdf/2017-21325.pdf>.

### COMMENT

CMS has issued corrections to its final fiscal year 2018 rules for what it terms “technical and typographical errors.” This notice amends the IPPS operating- and capital-related costs of acute care hospitals for FY 2018. It also will affect long-term care hospitals. Most of the changes are small in size, but nonetheless will impact payment amounts. These corrections are effective retroactive to Oct. 1.

### SUMMARY OF ERRORS IN THE ADDENDUM

The following are major errors and changes being made:

- CMS is making corrections to the logic for the ICD-10 MS-DRG Grouper Version 35 Software for three ICD-10-PCS procedure codes (0BCC8ZZ, 00H032Z and 00H632Z) that had been erroneously designated as non-Operating Room procedures rather than as OR procedures. As a result, CMS has recalculated the

FY 2018 MS-DRG relative weights after applying the changes in the Version 35 MS-DRG groupings.

- CMS made several technical errors regarding the calculation of Factor 3 of the disproportionate share hospital uncompensated care payment methodology. Factor 3 determines the total amount of the uncompensated care payment an individual hospital is eligible to receive for a fiscal year.
- CMS notes it is correcting errors in the wage data for six hospitals — CCNs 240010, 420033, 420037, 420038, 420078 and 420102.

CMS’ errors in MS-DRG relative weights, revisions to Factor 3 of the uncompensated care methodology and correction to the final FY 2018 IPPS wage index data have necessitated revisions to the rule. These include recalculated all IPPS budget neutrality adjustment factors, the outlier fixed-loss cost threshold, the final wage indexes and geographic adjustment factors, and the national operating standardized amounts and capital Federal rate.

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## I. STANDARDIZED PAYMENTS

### 1. IPPS Rates

The tables below are reproduced from our August *Washington Perspectives* with the changes being made in today's correction notice denoted 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 2018 Base Rate after removing: 1. FY 2017 Geographic Reclassification Budget Neutrality (0.988136)  2. FY 2017 Operating Outlier Offset (0.948998)  3. FY 2017 2-Midnight Rule One-Time Prospective Increase (1.006)  4. FY 2017 Labor Market Delineation Wage Index Transition Budget Neutrality Factor (0.999997)	If Wage Index is Greater Than 1.0000:  Labor (68.3%): \$3,993.72  Nonlabor (31.7%):* \$1,853.60  (Combined labor and nonlabor = \$5,847.32)	If Wage Index is Greater Than 1.0000:  Labor (68.3%): \$3,993.72  Nonlabor (31.7%):* \$1,853.60  (Combined labor and nonlabor = \$5,847.32)	If Wage Index is Greater Than 1.0000:  Labor (68.3%): \$3,993.72  Nonlabor (31.7%):* \$1,853.60  (Combined labor and nonlabor = \$5,847.32)	If Wage Index is Greater Than 1.0000:  Labor (68.3%): \$3,993.72  Nonlabor (31.7%):* \$1,853.60  (Combined labor and nonlabor = \$5,847.32)
	If Wage Index is less Than or Equal to 1.0000:  Labor (62%): \$3,625.34  Nonlabor (38%): \$2,221.98  (Combined labor and nonlabor = \$5,847.32)	If Wage Index is less Than or Equal to 1.0000:  Labor (62%): \$3,625.34  Nonlabor (38%): \$2,221.98  (Combined labor and nonlabor = \$5,847.32)	If Wage Index is less Than or Equal to 1.0000:  Labor (62%): \$3,625.34  Nonlabor (38%): \$2,221.98  (Combined labor and nonlabor = \$5,847.32)	If Wage Index is less Than or Equal to 1.0000:  Labor (62%): \$3,625.34  Nonlabor (38%): \$2,221.98  (Combined labor and nonlabor = \$5,847.32)
FY 2018 Update Factor	1.0135	0.99325	1.00675	0.9865
FY 2018 MS-DRG Recalibration Budget Neutrality Factor	<del>0.997432</del> 0.997439	<del>0.997432</del> 0.997439	<del>0.997432</del> 0.997439	<del>0.997432</del> 0.997439
FY 2018 Wage Index Budget Neutrality Factor	<del>1.001148</del> 1.00882	<del>1.001148</del> 1.00882	<del>1.001148</del> 1.00882	<del>1.001148</del> 1.00882
FY 2018 Reclassification Budget Neutrality Factor	<del>0.988008</del> 0.987985	<del>0.988008</del> 0.987985	<del>0.988008</del> 0.987985	<del>0.988008</del> 0.987985
FY 2018 Operating Outlier Factor	<del>0.948999</del> 0.948998	<del>0.948999</del> 0.948998	<del>0.948999</del> 0.948998	<del>0.948999</del> 0.948998
Adjustment for FY 2018 Required under Section 414 of Pub. L. 114-10 (MACRA) and Section 15005 of Pub. L. 114-255	1.004588	1.004588	1.004588	1.004588



continued

	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
National Standardized Amount for FY 2018 if Wage Index is Greater Than 1.0000;	Labor: \$3,807.12 \$3,806.04	Labor: \$3,731.05 \$3,729.99	Labor: \$3,781.76 \$3,780.69	Labor: \$3,705.70 \$3,704.65
Labor/Non-Labor Share Percentage (68.3/31.7)	Nonlabor: \$1,766.99 \$1,766.49	Nonlabor: \$1,731.69 \$1,731.20	Nonlabor: \$1,755.22 \$1,754.73	Nonlabor: \$1,719.92 \$1,719.43
National Standardized Amount for FY 2018 if Wage Index is less Than or Equal to 1.0000;	Labor: \$3,455.95 \$3,454.97	Labor: \$3,386.90 \$3,385.94	Labor: \$3,432.93 \$3,431.96	Labor: \$3,363.88 \$3,362.93
Labor/Non-Labor Share Percentage (62.0/38.0)	Nonlabor: \$2,118.16 \$2,117.56	Nonlabor: \$2,075.84 \$2,075.25	Nonlabor: \$2,104.05 \$2,103.46	Nonlabor: \$2,061.74 \$2,061.15

## COMMENT

CMS is reducing the FY 2018 IPPS standardized payments for hospitals that submit quality data and are meaningful electronic health record users by \$1.58 per discharge that is unadjusted for MS-DRG weights and area wage index factors.

## 2. Changes to Payment Rates for Acute Care Hospital Inpatient Capital-Related Costs

The FY 2018 capital rate has been changed from \$453.97 to \$453.95; a reduction of \$0.02.

Corrected Comparison of Factors and Adjustments: FY 2017 Capital Federal Rate and FY 2018 Capital Federal				
	FY 2017	FY 2018	Change	Percent Change
Update Factor	1.0090	1.0130	1.0130	1.30
GAF/DRG Adjustment Factor	0.9990	<del>0.9986</del> 0.9987	<del>0.9986</del> 0.9987	<del>-0.14</del> -0.13
Outlier Adjustment Factor	0.9386	<del>0.9484</del> 0.9483	<del>1.0104</del> 1.0103	<del>1.04</del> 1.03
Removal of One-Time 2-Midnight Policy Adjustment Factor	1.0060	1/1.006	0.9940	-0.60
Capital Federal Rate	\$446.79	<del>\$453.97</del> \$453.95	<del>1.0161</del> 1.0160	<del>1.61</del> 1.60



### 3. Outlier Payments

The outlier fixed-loss cost threshold is being changed from the prospective payment rate for the MS-DRG, plus any indirect medical education, empirically justified Medicare DSH payments, estimated uncompensated care payment and any add-on payments for new technology, plus \$26,537 (from \$26,601).

### 4. National Rural Floor and Imputed Floor Budget Neutrality Adjustment

CMS is changing this budget neutrality factor from 0.993348 to 0.993324.

### 5. Occupational Mix Adjustment to the FY 2017 Wage Index

The FY 2018 wage index national average hourly wage is changed to \$42.0332 from \$42.0564. No changes to the nurse subcategories have been made.

### 6. Changes to the Long-Term Care Hospital PPS

CMS is correcting the FY 2018 long-term care hospital PPS standard federal payment rate to \$41,415.11 from \$41,430.56. [calculated as \$42,476.41 (the current FY 2017 rate) x 1.01 (the market basket increase) x 1.0002704 (from 1.0006434, the area wage index budget neutrality factor) x 0.9651] for FY 2018.

The amount for those not providing quality data is now \$40,595.02 from \$40,610.16.

#### High-Cost Outlier Cases

CMS is correcting the fixed-loss amount for HCO outliers from \$27,382 to \$27,381.

## II. CHANGES TO THE IPPS TABLES

CMS is correcting the errors in the following IPPS tables listed on pages 38547 and 38548 of the FY 2018 IPPS and LTCH PPS final rule and available on CMS' website, <https://www.cms.gov/>.

- Table 2—Case-Mix Index and Wage Index Table- FY 2018. The wage data errors related to the six hospitals required the recalculation of the FY 2018 national average hourly wages, unadjusted for occupational mix and adjusted for occupational mix, resulting in FY 2018 wage index recalculations.
- Table 3—Wage Index Table by CBSA—FY 2018.
- Table 5—List of Medicare Severity Diagnosis-Related Groups (MS-DRGs), Relative Weighting Factors, and Geometric and Arithmetic Mean Length of Stay—FY 2018. CMS is correcting this table to reflect the recalculation of the FY 2018 MS-DRG relative weights and associated statistics as a result of the corrections to the logic for the ICD-10 MS-DRG Grouper Version 35 Software.
- Table 6P—ICD-10-CM and ICD-10-PCS Code Designations, MCE and MS-DRG Changes—FY 2018.

- Table 7B.—Medicare Prospective Payment System Selected Percentile Lengths of Stay.
- Table 10—New Technology Add-On Payment Thresholds for Applications for FY 2019.
- Table 18—Final FY 2018 Medicare DSH Uncompensated Care Payment Factor 3.

CMS is correcting this table to reflect revisions to the Factor 3 calculations for purposes of determining uncompensated care payments for the FY 2018 IPPS/LTCH PPS final rule for the following reasons:

- To apply finalized policy of double weighting the 2013 Factor 3, instead of developing a 2014 Factor 3 using uncompensated care cost data from Worksheet S–10, for several all-inclusive rate providers.
- To reflect mergers where data for the merged hospital were not combined with the data for the surviving hospital.
- To correct the Factor 3 that was computed for a hospital whose FY 2014 cost report in the March 2017 extract of Healthcare Cost Report Information System inadvertently omitted amended uncompensated care cost data reported on an amended Worksheet S–10 that had been received timely per CR 9648, issued on July 15, 2016, and that was inadvertently omitted from the hospital’s 2014 cost report when it was uploaded into HCRIS.
- To correct the Factor 3 that was computed for a hospital that only had Factor 3 values for two cost reporting periods, but whose Factor 3 was inadvertently calculated by dividing by three cost reporting periods when averaging the Factor 3 values.
- To correct the misapplication of new hospital policy, where hospitals with a CMS Certification Number established after Oct. 1, 2013, but before Oct. 1, 2014, were inadvertently considered subject to that policy when calculating Factor 3.
- To correct the misapplication of new hospital policy, where hospitals with a CMS Certification Number established after Oct. 1, 2013, but before Oct. 1, 2014, were inadvertently considered subject to that policy when calculating Factor 3.

CMS is revising Factor 3 for all hospitals to correct these errors. CMS is also revising the amount of the total uncompensated care payment calculated for each DSH-eligible hospital. The total uncompensated care payment that a hospital receives is used to calculate the amount of the interim uncompensated care payments the hospital receives per discharge. Per discharge uncompensated care payments are included when determining total payments for purposes of all of the budget neutrality factors and the final outlier threshold. As a result, these corrections to the uncompensated care payments impacted the calculation of all the budget neutrality factors as well as the outlier fixed-loss cost threshold for outlier payments. These corrections will be reflected in Table 18 and the Medicare DSH Supplemental Data File.

### III. REVISED TABLE

The following is CMS' revised FY 2018 estimate of the national budget neutrality statewide calculations. Changes are noted in red.

FY 2018 IPPS Estimated Payments Due to Rural Floor with National Budget Neutrality				
State	Number of Hospitals (1)	Number of Hospitals That Will Receive the Rural Floor or Imputed Floor (2)	Percent Change in Payments due to Application of Rural Floor and Imputed Floor with Budget Neutrality (3)	Difference (in millions) (4)
Alabama	84	3	-0.3	\$-5
Alaska	6	4	1.4	\$3
Arizona	57	38	0.4	\$7
Arkansas	44	1	-0.3	\$-4
California	299	177	1.2	\$134
Colorado	47	4	0.4	\$5
Connecticut	30	7	0.1	\$2
Delaware	6	6	1.8	\$8
Washington, D.C.	7	0	-0.4	\$-2
Florida	171	17	-0.2	\$-16
Georgia	103	0	-0.3	\$-9
Hawaii	12	0	-0.3	\$-1
Idaho	14	0	-0.2	\$-1
Illinois	127	3	-0.4	\$-17
Indiana	85	0	-0.3	\$-8
Iowa	34	0	-0.3	\$-3
Kansas	53	0	-0.3	\$-3
Kentucky	66	0	-0.3	\$-5
Louisiana	94	2	-0.3	\$-5
Maine	17	0	-0.4	\$-2
Massachusetts	57	36	1.3	\$43
Michigan	94	0	-0.3	\$-14
Minnesota	49	0	-0.3	\$-6
Mississippi	60	0	-0.3	\$-4
Missouri	74	0	-0.2	\$-6
Montana	13	4	0	\$0
Nebraska	24	0	-0.3	\$-2
Nevada	23	0	-0.4	\$-3
New Hampshire	13	9	3.7	\$20
New Jersey	64	17	-0.1	\$-4
New Mexico	25	0	-0.2	\$-1
New York	154	11	-0.3	\$-23

**FY 2018 IPPS Estimated Payments Due to Rural Floor with  
National Budget Neutrality**

State	Number of Hospitals (1)	Number of Hospitals That Will Receive the Rural Floor or Imputed Floor (2)	Percent Change in Payments due to Application of Rural Floor and Imputed Floor with Budget Neutrality (3)	Difference (in millions) (4)
North Carolina	84	0	-0.3	\$-10
North Dakota	6	0	-0.2	\$-1
Ohio	128	6	-0.3	\$-12
Oklahoma	84	4	-0.2	\$-3
Oregon	34	5	-0.3	\$-3
Pennsylvania	150	3	-0.4	\$-17
Puerto Rico	52	10	0.2	\$0
Rhode Island	11	10	5	\$19
South Carolina	56	0	-0.3	\$-5
South Dakota	17	0	-0.2	\$-1
Tennessee	91	3	-0.3	\$-8
Texas	310	4	-0.3	<b>\$-22</b>
Utah	31	1	-0.3	\$-2
Vermont	6	0	-0.2	\$0
Virginia	73	1	-0.3	\$-7
Washington	48	3	-0.2	\$-5
West Virginia	29	3	-0.1	\$-1
Wisconsin	66	8	-0.2	\$-3
Wyoming	10	0	-0.1	\$0

*Analysis provided for MHA  
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