CMS Manual System	**Department of Health & Human Services (DHHS)**
Pub 100-20 One-Time Notification	**Centers for Medicare & Medicaid Services (CMS)**
Transmittal 1791	**Date: February 3, 2017**
	Change Request 9912

SUBJECT: Change to Beneficiary Liability and Cost Report Days for Subclause (II) Long Term Care Hospitals (LTCHs)

I. SUMMARY OF CHANGES: This CR will change how inpatient covered days are charged to the beneficiary's utilization of benefit days. Days of utilization will now be charged based upon actual days of coverage.

EFFECTIVE DATE: January 1, 2017
**Unless otherwise specified, the effective date is the date of service.*
IMPLEMENTATION DATE: July 3, 2017

Disclaimer for manual changes only: The revision date and transmittal number apply only to red italicized material. Any other material was previously published and remains unchanged. However, if this revision contains a table of contents, you will receive the new/revised information only, and not the entire table of contents.

II. CHANGES IN MANUAL INSTRUCTIONS: (N/A if manual is not updated)
R=REVISED, N=NEW, D=DELETED-*Only One Per Row.*

R/N/D	CHAPTER / SECTION / SUBSECTION / TITLE
N/A	

III. FUNDING:
For Medicare Administrative Contractors (MACs):
The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the MAC Statement of Work. The contractor is not obligated to incur costs in excess of the amounts allotted in your contract unless and until specifically authorized by the Contracting Officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the Contracting Officer, in writing or by e-mail, and request formal directions regarding continued performance requirements.

IV. ATTACHMENTS:
One Time Notification

Attachment - One-Time Notification

Pub. 100-20	Transmittal: 1791	Date: February 3, 2017	Change Request: 9912

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I. GENERAL INFORMATION

A. Background: In the Fiscal Year (FY) 2015 Inpatient Prospective Payment System (IPPS)/ Long-Term Care Hospital Prospective Payment System (LTCH PPS) Final Rule, CMS-1607-F, the Centers for Medicare & Medicaid Services (CMS) established a payment adjustment under the LTCH PPS for hospitals "classified under subclause (II) of subsection (d)(1)(B)(iv)" of the Act (referred to as "subclause (II) LTCHs), effective for cost reporting periods beginning in FY 2015 and beyond. Under this payment adjustment, payments to subclause (II) LTCHs are adjusted so that their LTCH PPS payments are generally equivalent to an amount determined under the reasonable cost-based reimbursement rules for both operating and capital-related costs under 42 CFR Part 413. In the FY 2017 IPPS/LTCH PPS Final Rule, we revised our policy concerning beneficiary liability and cost report days for subclause (II) LTCHs (see §412.507).

Section 15008 of the 21st Century Cures Act, enacted December 13, 2016, reclassifies hospitals which had previously been classified as "subclause (II) LTCHs" as their own category of IPPS-excluded hospitals (at section 1886(d)(1)(B)(vi) of the Act). In addition, this provision codifies, effective January 1, 2015, the reasonable cost-based payment adjustment CMS implemented in 42 CFR 412.526, and requires Medicare claims be processed as paid on a reasonable cost basis for discharge occurring on or after January 1, 2017.

B. Policy: Under our current policy, for a subclause (II) LTCH, the Medicare payment applies to the LTCH's costs incurred for all days in the "inlier" period regardless of whether the beneficiary has a benefit day available. This policy, which was implemented in change request (CR) 9401, will continue to apply for utilization days in cost reporting periods beginning before October 1, 2016, (i.e., through December 31, 2016, for a subclause (II) LTCH with a calendar year cost reporting period.

Under the revisions in the FY 2017 final rule and consistent with the provisions of section 15008 of the 21st Century Cures Act, effective with cost reporting periods beginning on or after October 1, 2016, for a subclause (II) LTCH, the Medicare payment would only apply to the LTCH's costs incurred for the days used to calculate the Medicare payment (that is, days for which the patient has a benefit day available). For a subclause (II) LTCH with a calendar year cost reporting period, the revised policy will become effective for utilization days beginning January 1, 2017. (Note, under this revised policy, whether the LTCH discharge would qualify for a high-cost outlier payment will no longer effect beneficiary liability).

II. BUSINESS REQUIREMENTS TABLE

"Shall" denotes a mandatory requirement, and "should" denotes an optional requirement.

Number	Requirement	Responsibility			
		A/B MAC	DME	Shared-System Maintainers	Other

		A	B	H H H	M A C	F I S S	M C S	V M S	C W F	
9912.1	Medicare contractors shall determine beneficiary liability for subclause (II) LTCHs consistent with the beneficiary liability determination for hospitals paid based on reasonable cost (e.g. non prospective payment system (PPS) acute hospital) for patient utilization days for cost reporting periods beginning on or after October 1, 2016, (i.e., on or after January 1, 2017, for a subclause (II) LTCH with a calendar year cost reporting period). Note: Calvary Hospital, CCN 332006 is currently the only subclause (II) LTCH.					X				
9912.2	Medicare contractors shall ensure Subclause (II) LTCHs edit like non PPS acute hospitals by reviewing edits and bypass criteria that use the LTCH provider range. This includes but is not limited to billing frequency edits, payment window edits, interrupted stay edits and inpatient/outpatient overlap edits					X			X	
9912.3	Medicare contractor shall update the method, effective date and rate for CCN 332006 on page 2 of the provider file effective January 1, 2017.	X								
9912.4	Claims from subclause (II) LTCHs with a discharge date on or after January 1, 2017, shall no longer process through the LTCH Pricer; therefore, payment logic specific to subclause (II) LTCHs created in CR9401 shall not apply.					X				LTCH Pricer
9912.5	To final settle the 2016 cost report for CCN 332006, the Medicare contractor shall run the PS&R report for discharges from January 1, 2016 through and including January 1, 2017.	X								
9912.6	To final settle the 2017 cost report for CCN 332006, the Medicare contractor shall run the PS&R report for discharges from January 2, 2017 through December 31, 2017.	X								
9912.7	Medicare contractor shall reprocess claims for CCN 332006 with a discharge date on or after January 1, 2017, through the implementation date of this CR within 30 calendar days of the issuance of this CR.	X								

III. PROVIDER EDUCATION TABLE

Number	Requirement	Responsibility

		A/B MAC			DME MAC	CEDI
		A	B	HHH		
9912.8	MLN Article: A provider education article related to this instruction will be available at http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNMattersArticles/ shortly after the CR is released. You will receive notification of the article release via the established "MLN Matters" listserv. Contractors shall post this article, or a direct link to this article, on their Web sites and include information about it in a listserv message within 5 business days after receipt of the notification from CMS announcing the availability of the article. In addition, the provider education article shall be included in the contractor's next regularly scheduled bulletin. Contractors are free to supplement MLN Matters articles with localized information that would benefit their provider community in billing and administering the Medicare program correctly.	X				

IV. SUPPORTING INFORMATION

Section A: Recommendations and supporting information associated with listed requirements: N/A

"Should" denotes a recommendation.

X-Ref Requirement Number	Recommendations or other supporting information:

Section B: All other recommendations and supporting information: N/A

V. CONTACTS

Pre-Implementation Contact(s): Cami DiGiacomo, cami.digiacomo@cms.hhs.gov (For billing and claims processing questions.), Emily Lipkin, emily.lipkin@cms.hhs.gov (For policy related questions.)

Post-Implementation Contact(s): Contact your Contracting Officer's Representative (COR).

VI. FUNDING

Section A: For Medicare Administrative Contractors (MACs):
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ATTACHMENTS: 0