

U.S. House and Senate Notification
Tuesday, April 19, 2011

To: Congressional Health Staff

From: Amy Hall
Director, Office of Legislation
Centers for Medicare & Medicaid Services

Re: CMS Issues Proposed FY 2012 Acute Care and Long-Term Care Hospital Rule

The Centers for Medicare & Medicaid Services (CMS) issued a proposed rule today for hospitals paid under the Inpatient Prospective Payment System (IPPS) and Long-Term Acute Care Hospital Prospective Payment System (LTCH PPS). The proposed rule would also improve and expand the Hospital Inpatient Quality Reporting Program (IQR) with a greater focus on patient outcomes and experiences of care and establish the framework for a new quality reporting program that would apply to hospitals paid under the LTCH PPS.

The proposed rule, which would apply to approximately 3,400 acute care hospitals and approximately 420 LTCHs, would generally be effective for discharges occurring on or after October 1, 2011. Under the proposed rule, CMS projects that Medicare operating payments to acute care hospitals for discharges occurring in FY 2012 would decrease by a projected \$498 million or 0.5 percent in FY 2012 relative to FY 2011. This includes a hospital update of 1.5 percent (based on a projected market basket update of 2.8, reduced by a productivity adjustment and an additional 0.1 percent), increased by 1.1 percent in response to litigation, as well as a “documentation and coding” adjustment of -3.15 percentage points to account for changes in documentation and coding practices following adoption of the Medicare severity DRGs that did not reflect actual increases in patients’ severity of illness. Medicare payments to LTCHs in FY 2012 are projected to increase by \$95 million or 1.9 percent.

In addition to promoting accurate payment for inpatient services to Medicare beneficiaries, the proposed rule would strengthen the relationship between payment and quality in a number of ways. First, the proposed rule includes proposals that are part of a new Readmissions Reduction Program required by the Affordable Care Act. Second, it would expand the quality measures that hospitals must report under the Hospital Inpatient Quality Reporting (IQR) Program—formerly called the Reporting Hospital Quality Data for Annual Payment Update (RHQDAPU) Program—in order to receive the full update to the standardized amount in FYs 2014 and 2015.

The proposed rule can be downloaded from the *Federal Register* at: www.ofr.gov/inspection.aspx. CMS will accept public comments on the proposed rule for 60 days (until June 20, 2011) and will respond to them in a final rule to be issued by August 1, 2011.

If you have any questions about this announcement, please contact the CMS Office of Legislation. Thank you.