

U.S. House and Senate Notification
Monday, April 19, 2010

To: Congressional Health Staff

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

Re: CMS Proposes FY 2011 Policy and Payment Rate Changes for Inpatient Services in Acute Care Hospitals and Long-Term Care Hospitals

The Centers for Medicare & Medicaid Services (CMS) today proposed the fiscal year (FY) 2011 policies and payment rates for inpatient services furnished to people with Medicare by both acute care hospitals and long-term care hospitals. The proposed rule would apply to approximately 3,500 acute care hospitals paid under the Inpatient Prospective Payment System (IPPS), and approximately 420 long-term care hospitals paid under the Long-Term Care Hospital Prospective Payment System (LTCH PPS), beginning with discharges occurring on or after October 1, 2010. Proposed payment rates are based on the most recently available data and may be revised in the final rule to reflect more current data.

The proposed rule does not address inpatient hospital related provisions of the recently enacted Patient Protection and Affordable Care Act, as amended by the Health Care and Education Affordability Reconciliation Act. CMS expects to provide further information on the implementation of health care reform provisions in these laws that affect FY 2010 and FY 2011 IPPS payments in the near future.

In today's announcement, CMS is proposing to update acute care hospital rates by 2.4 percent for inflation, a slight increase over the FY 2010 inflation rate, and apply an adjustment of -2.9 percentage points to recoup one-half of the estimated excess spending in FY 2008 and 2009 aggregate payments, due to changes in hospital coding practices that did not reflect increases in patients' severity of illness. Under legislation passed in 2007, CMS is required to recoup the entire amount of FY 2008 and 2009 excess spending from changes in hospital coding practices by FY 2012. CMS estimates that payments to general acute care hospitals under the proposed rule for operating expenses in FY 2011 will decline by 0.1 percent, or \$142 million, compared with FY 2010, and taking into account all factors that would affect spending.

CMS is similarly proposing to update long-term care hospital (LTCH) rates by 2.4 percent for inflation and apply an adjustment of -2.5 percentage points for the estimated increase in spending in FYs 2008 and 2009 due to documentation and coding that did not reflect increases in patients' severity of illness. Based on these two proposed provisions and other proposed changes, CMS estimates that payments to LTCHs would increase by 0.8 percent or \$41 million.

CMS is also proposing to add 45 new measures for which hospitals must submit data under the Reporting Hospital Quality Data for Annual Payment Update (RHQDAPU) program for 2011 to receive the full market basket update. Hospitals that do not participate in the quality reporting program will get the update less two percentage points. Based on the required reporting in 2009, 96 percent of participating hospitals are receiving the full update for FY 2010.

The proposed rule was placed on display at the Federal Register today, and can be found under Special Filings at: www.archives.gov/federal-register/public-inspection/index.html.

The CMS Press Release for this proposed rule issued today is located at: http://www.cms.hhs.gov/apps/media/press_releases.asp. And several fact sheets regarding the proposals are located at http://www.cms.gov/apps/media/fact_sheets.asp. CMS will accept comments on this proposed rule until June 18, and will respond to them in a final rule to be issued by August 1, 2010.

For more information about the Medicare Inpatient Prospective Payment System, please visit www.cms.hhs.gov/AcuteInpatientPPS/01_overview.asp

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