



News Flash - The April 2008 version of the *Medicare Disproportionate Share Hospital Fact Sheet* is now available in downloadable format from the Centers for Medicare & Medicaid Services Medicare Learning Network at http://www.cms.hhs.gov/MLNProducts/downloads/2008_mdsh.pdf on the CMS website. This fact sheet provides information about methods to qualify for the Medicare Disproportionate Share Hospital (DSH) adjustment; Medicare Prescription Drug, Improvement, and Modernization Act of 2003 and Deficit Reduction Act of 2005; number of beds in hospital determination; and Medicare DSH payment adjustment formulas.

MLN Matters Number: MM6114

Related Change Request (CR) #: 6114

Related CR Release Date: July 3, 2008

Effective Date: July 1, 2008

Related CR Transmittal #: R1547CP

Implementation Date: July 7, 2008

Update-Long Term Care Hospital (LTCH) Prospective Payment System (PPS) for Rate Year (RY) 2009

Provider Types Affected

Long term care hospitals (LTCHs) claims to Medicare contractors (Fiscal Intermediaries (FIs) and/or Part A/B Medicare Administrative Contractors (A/B MACs)) for services paid under the LTCH PPS that are provided to Medicare beneficiaries.

Provider Action Needed

This article is based on Change Request (CR) 6114 which announces changes to the Long Term Care Hospital (LTCH) Prospective Payment System (PPS) for Rate Year (RY) 2009. Be sure billing staff is ware of this update.

Background

On October 1, 2002, the Centers for Medicare & Medicaid Services (CMS) implemented the LTCH PPS under the Medicare program in accordance with

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provisions of the Medicare, Medicaid, and SCHIP Balanced Budget Refinement Act (BBRA) of 1999, as amended by the Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act (BIPA) of 2000. See the Federal Register, Vol. 67, No. 169, August 30, 2002 at

http://www.access.gpo.gov/su_docs/fedreg/a020830c.html on the internet.

Payments under this LTCH PPS are made on a per discharge basis, using long-term care diagnosis-related groups (LTC-DRGs) that take into account differences in resource use of long-term care patients and the most recently available hospital discharge data.

CMS is required to update the payments made under the LTCH PPS annually, and since 2004 there have been two significant LTCH PPS updates each year:

1. The Federal payment rates update that occur in July of each year (the Rate Year (RY) cycle), and
2. The LTC-DRG update that occurs in October of each year.

RY2009 Payment Updates

In the RY 2009 final rule, CMS established a policy to consolidate these two annual update cycles such that the annual updates to both the Federal payment rates and the medical severity LTC-DRGs (MS-LTC-DRGs) will occur on October 1 of each year, beginning with October 1, 2009.

To begin this change, RY 2009 will be a 15-month rate year (from July 1, 2008 through September 30, 2009), and all updates to the PRICER for RY 2009 will be made based on calculations reflecting this change.

For the LTCH PPS 2009 Rate Year (July 1, 2008 through September 30, 2009):

- The standard Federal rate is \$39,114.36;
- The fixed loss amount is \$22,960;
- The labor-related share is 75.662 percent; and
- The non-labor related share is 24.338 percent.

There is no longer a phase-in of the LTCH PPS wage index adjustment as of cost reporting periods beginning on or after October 1, 2006. Therefore, the wage index table within the PRICER includes only one column that contains the wage index value that will be effective for all LTCH PPS discharges occurring on or after July 1, 2008 through September 30, 2009.

Short-Stay Outlier (SSO) Payment Adjustment Formula

On December 29, 2007, the Medicare, Medicaid, and SCHIP Extension Act of 2007 (MMSEA) was enacted that mandated a modification to the SSO payment adjustment formula for a 3-year period beginning on the date of enactment of the

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Act. Specifically, section 114(c)(3) of the MMSEA specifies that the revision to the SSO policy implemented in RY 2008 shall not apply for a 3-year period beginning with discharges occurring on or after December 29, 2007. Therefore, there will be no comparison of the covered length of stay (LOS) of the SSO case to the "IPPS threshold" in determining the payment adjustment for SSO cases. For SSO discharges occurring on or after December 29, 2007, and before December 29, 2010, the adjusted payment for a SSO case is equal to the least of:

- 100 percent of estimated cost of the case;
- 120 percent of the LTC-DRG per diem amount;
- the full LTC-DRG payment, or
- a blend of an amount comparable to what would otherwise be paid under the IPPS, computed as a per diem and capped at the full IPPS DRG comparable amount, and the 120 percent LTC-DRG per diem amount.

As noted above, during this 3-year period specified by the MMSEA, all SSO cases (including those where the covered LOS exceeds the "IPPS threshold") are paid under the SSO payment formula that became effective beginning in RY 2007.

CR6114 makes other clarifying language adjustments to Chapter 3, Section 150.9 (Payment Rate) of the Medicare Claims Processing Manual. That revised section is attached to CR6114. The CR is available at <http://www.cms.hhs.gov/Transmittals/downloads/R1547CP.pdf> on the CMS website.

Legislative Adjustments to Payment Policy for Co-Located Providers

For hospitals within hospitals (HwH), satellite facilities, and onsite SNFs, the MMSEA legislation also made several changes for a 3-year period beginning on December 29, 2007. These changes impact the basic payment formula under the 25 percent threshold payment adjustment for Medicare discharges from referring hospitals. These changes are annotated in a revised Chapter 3, Section 150.9.1.4 (Payment Policy for Co-Located Providers), which is attached to CR6114.

COLA Factors for Alaska and Hawaii

Also note that in the LTCH Final Rule for RY 2009, the cost of living adjustment (COLA) factors for LTCHs located in Alaska and Hawaii are not revised from their current values, and these current COLA factors will continue to be effective for LTCH PPS discharges occurring on or after July 1, 2008 through September 30, 2009. The COLA factors for Alaska and Hawaii hospitals are shown in the following table.

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Alaska and Hawaii Hospitals Area Cost of Living Adjustment Factors Effective for Discharges on and after October 1, 2008	
<u>Alaska</u>	
City of Anchorage and 80-kilometer (50-mile) radius by road	1.24
City of Fairbanks and 80-kilometer (50-mile) radius by road	1.24
City of Juneau and 80-kilometer (50-mile) radius by road	1.24
Rest of Alaska	1.25
<u>Hawaii:</u>	
City and County of Honolulu	1.25
County of Hawaii	1.17
County of Kauai	1.25
County of Maui and County of Kalawao	1.25

Additional Information

The official instruction, CR 6114, issued to your FI or A/B MAC regarding this change may be viewed at <http://www.cms.hhs.gov/Transmittals/downloads/R1547CP.pdf> on the CMS website.

If you have any questions, please contact your FI or A/B MAC at their toll-free number, which may be found at <http://www.cms.hhs.gov/MLNProducts/downloads/CallCenterTollNumDirectory.zip> on the CMS website.

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