



**News Flash** – The revised fact sheet titled “Inpatient Psychiatric Facility Prospective Payment System” (May 2010), which provides Inpatient Psychiatric Facility Prospective Payment System (IPF PPS) general information, explains how IPF PPS payment rates are set, and provides the Rate Year 2011 update to the IPF PPS, is now available in downloadable format from the Centers for Medicare & Medicaid Services Medicare Learning Network® at <http://www.cms.gov/MLNProducts/downloads/InpatientPsychFac.pdf> on the CMS website.

MLN Matters® Number: MM7029

Related Change Request (CR) #: 7029

Related CR Release Date: July 15, 2010

Effective Date: Various as indicated in article.

Related CR Transmittal #: R7280TN

Implementation Date: August 9, 2010

## Updates to the Inpatient Prospective Payment System (IPPS), Long Term Care Hospital (LTCH) PPS, Outpatient Prospective Payment System (OPPS), and Inpatient Rehabilitation Facility (IRF) PPS Changes due to the Affordable Care Act (ACA)

### Provider Types Affected

This article is for hospitals, LTCHs, IRFs, and other providers submitting claims to Medicare contractors (Fiscal Intermediaries (FIs), and/or A/B Medicare Administrative Contractors (A/B MACs)) for services paid under one of the subject prospective payment systems.

### Provider Action Needed



#### STOP – Impact to You

This article is based on Change Request (CR) 7029 which outlines changes for IPPS hospitals for Federal FY 2010, LTCHs for RY2010, IRFs for FY 2010, and OPPS for CY 2010 as a result of the Affordable Care Act (ACA).



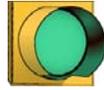
#### CAUTION – What You Need to Know

The policy changes reflected in CR 7029 will appear in upcoming Federal Register notices for the IPPS/LTCH PPS, OPPS and IRF PPS. The changes in CR 7029

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have various retroactive effective dates, and Medicare Contractors will be instructed in a CR on how to handle past claims paid under pre-ACA requirements. Once that CR is released, a related article will be available on the Centers for Medicare & Medicaid Services (CMS) website.



### GO – What You Need to Do

See the Background and Additional Information Sections of this article for further details regarding these changes.

## Background

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Several of the provisions of the Affordable Care Act (ACA) affect the Fiscal Year (FY) 2010 Inpatient Prospective Payment System (IPPS), the Rate Year (RY) 2010 Long Term Care Hospitals Prospective Payment System (LTCH PPS), and the Calendar Year (CY) 2011 Outpatient Prospective Payment System (OPPS). In particular, certain provisions require changes to the wage index and market basket update and, as a result, changes to area wage indices (including the statewide rural floor budget neutrality adjustments under the IPPS and OPPS), rates, and outlier thresholds for these provider payment systems.

Change Request (CR) 7029 outlines changes (as a result of the ACA) as follows:

## IPPS Updates

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### Extension of Section 508 Reclassifications and Special Exceptions Wage Indices and Changes to the FY 2010 IPPS Wage Index

Sections 3137(a) and 10317 of the Affordable Care Act retroactively extend section 508 reclassifications and special exceptions wage indices through September 30, 2010 (that is, for discharges occurring on or after October 1, 2009, through discharges on or before September 30, 2010). Effective April 1, 2010, section 10317 also requires removing section 508 and special exceptions hospitals' wage data from the calculation of the reclassified wage index if doing so raises the reclassified wage index. As a result of these changes to the wage index (and the changes to the market basket update as discussed below), many of the originally published FY 2010 IPPS wage indices (including the statewide rural floor budget neutrality adjustment factors) have changed for either all of FY 2010 (for section 508 and special exceptions hospitals) or for only the second half of FY 2010 (for all other IPPS hospitals).

All section 508 and special exceptions hospitals affected by sections 3137(a) and 10317 will be assigned an individual special wage index effective October 1, 2009. A section 508 or special exceptions hospital shall be assigned, for the entire FY 2010, the higher of its wage index value from the FY 2010 IPPS final rule (74 FR 44032-44078, August 27, 2009) and correction notice (74 FR 51496-51507, October 7, 2009), or its wage index value under the revised FY 2010 wage index

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values effective April 1, 2010. Attachment A of CR 7029 (the CR is available at <http://www.cms.gov/Transmittals/downloads/R728OTN.pdf> on the CMS website) shows the wage indices for the section 508 or special exceptions hospitals paid under the IPPS for discharges on or after October 1, 2009, through discharges on or before September 30, 2010.

For all other IPPS providers not listed in Attachment A of CR 7029, the revised FY 2010 wage indices (including the revised statewide rural floor budget neutrality adjustment factors) resulting from the implementation of sections 3137 and 10317 of the ACA (and the change in the market basket update as discussed below) are effective only for discharges occurring on or after April 1, 2010 and on or before September 30, 2010.

The revised FY 2010 IPPS wage indices discussed above for section 508/special exceptions hospitals and all other IPPS hospitals are included in the latest version of Pricer. Updated IPPS wage index tables reflecting the revised wage indices that are effective April 1, 2010 through September 30, 2010 (Table 2 – providers' case mix indices, wage indices, and average hourly wages; Tables 4A, 4B, and 4C – urban, rural, and reclassified area wage indices; and Table 4D-1 – statewide rural floor budget neutrality factors) can be downloaded from the CMS website at

<http://www.cms.gov/AcuteInpatientPPS/WIFN/itemdetail.asp?filterType=none&filterByDID=0&sortByDID=3&sortOrder=descending&itemID=CMS1234175&intNumPerPage=10> on the CMS website.

The following lists the IPPS providers with Medicare Geographic Classification Review Board (MGCRB) reclassifications and their revised wage index values for the second half of FY 2010 (April 1, 2010 – September 30, 2010):

Provider #	Special Wage index effective 4/1/10-9/30/10
070015	1.2695
070033	1.2695
310002	1.2769
310009	1.2769
310015	1.2769
310017	1.2769
310018	1.2769
310038	1.2769
310039	1.2769
310054	1.2769

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Provider #	Special Wage index effective 4/1/10-9/30/10
310070	1.2769
310076	1.2769
310083	1.2769
310093	1.2769
310096	1.2769
310108	1.2769
310119	1.2769
330027	1.2930
330167	1.2930
330181	1.2930
330182	1.2930
330198	1.2930
330225	1.2930
330259	1.2930
330331	1.2930
330332	1.2930
330372	1.2930

All of the hospitals listed within this section are reclassified under Section 508 of the MMA or reclassified through the MGCRB.

### Market Basket Update Reduction for IPPS

Section 3401(a) of the ACA imposes a 0.25 percentage point reduction to the IPPS market basket update for FY 2010 that is applied to the operating standardized amounts and hospital-specific rates for Sole Community Hospitals and Medicare Dependant Hospitals. This law also specified that the revised FY 2010 rates only apply to payments made for discharges occurring on or after April 1, 2010. As a result of this provision, CMS updated the IPPS standardized amounts, budget neutrality factors and outlier threshold to be applied in making payments for discharges on or after April 1, 2010 through discharges occurring on or before September 30, 2010, the second half of FY 2010. CMS notes that as a result of implementing these provisions of the ACA, for Sole Community Hospitals and Medicare Dependant Hospitals, for discharges on or after April 1, 2010 through discharges on or before September 30, 2010,

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the Pricer will apply the revised diagnostic related group (DRG) Reclassification and Recalibration Budget Neutrality Factor of 0.997935 to the hospital specific rate (see the "FY 2010 IPPS Rates" table below). (For Sole Community Hospitals and Medicare Dependant Hospitals, for discharges on or after October 1, 2009 through discharges on or before March 30, 2010, the DRG Reclassification and Recalibration Budget Neutrality Factor of 0.997941 is applied to the hospital specific rate.) The updated FY 2010 IPPS rates, budget neutrality factors and outlier thresholds are listed in the tables below.

#### FY 2010 IPPS Rates (Effective for Discharges on or after April 1, 2010 through discharges on or before September 30, 2010)

National Standardized Amounts Update Factor	1.0185 0.9985 (for hospitals that do not submit quality data)
Puerto Rico Specific Standardized Amounts Update Factor	1.021 1.021 (for hospitals that do not submit quality data)
MDH/SCH Hospital Specific Update Factor	1.0185 0.9985 (for hospitals that do not submit quality data)
Outlier Fixed Loss Cost Threshold	\$23,135.00
Federal Capital Rate	\$429.56
Puerto Rico Capital Rate	\$203.57
Outlier Offset-Operating National	0.948998
Outlier Offset-Operating Puerto Rico	0.957417
IME Formula (no change for FY10)	$1.35 \times [(1 + \text{resident to bed ratio})^{.405} - 1]$
DRG Reclassification and Recalibration Budget Neutrality Factor (applied to the Hospital Specific Rate)	0.997935

#### Operating Rates with FULL Market Basket

	<b>Wage Index &gt; 1</b>		<b>Wage Index ≤ 1</b>	
	Labor Share	Non-Labor Share	Labor Share	Non-Labor Share
National	\$3,587.24	\$1,626.78	\$3,232.69	\$1,981.33
PR National	\$3,587.24	\$1,626.78	\$3,232.69	\$1,981.33
PR Specific	\$1,543.61	\$942.07	\$1,541.12	\$944.56

#### Operating Rates with REDUCED Market Basket

	<b>Wage Index &gt; 1</b>		<b>Wage Index ≤ 1</b>	
	Labor Share	Non-Labor Share	Labor Share	Non-Labor Share
National	\$3,516.80	\$1,594.84	\$3,169.22	\$1,942.42
PR National	\$3,587.24	\$1,626.78	\$3,232.69	\$1,981.33
PR Specific	\$1,543.61	\$942.07	\$1,541.12	\$944.56

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## LTCH PPS Updates

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Section 3401(c) of the ACA imposes a 0.25 percentage point reduction to the LTCH market basket update for Rate Year (RY) 2010. This law also specified that the revised RY 2010 rates only apply to payments made for discharges on or after April 1, 2010. Therefore, CMS has updated the LTCH standard Federal rate and outlier threshold (shown in the following table) to be applied in making payments for discharges on or after April 1, 2010 through discharges on or before September 30, 2010, the second half of RY 2010.

Federal Rate	\$39,794.95
High Cost Outlier Fixed-Loss Amount	\$18,615.00

In addition, for making payments for the second half of RY 2010, the FY 2010 IPPS rates used to compute the "IPPS comparable amount" in the short-stay outlier (SSO) payment formula have also been updated to reflect the changes to those rates required by the ACA.

## OPPS Updates

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Section 3401(i) of the Affordable Care Act, as amended by Section 10319 Pub. L. 111-148, imposes a 0.25 percentage point reduction to the Outpatient Prospective Payment System (OPPS) hospital's market basket for calendar year (CY) 2010, effective for services furnished on or after January 1, 2010. Section 3137 of the Affordable Care Act as amended by Section 10317 extends wage index reclassifications under Section 508 and special exception reclassifications. Hospitals located in a CBSA that includes a section 508 reclassification or special exception reclassification will be paid using a revised wage index beginning April 1 under the IPPS and July 1 under the OPSS.

Further, section 3137 as amended by Section 10317 specifies that if the Section 508 or special exception hospital's wage index applicable for the period beginning on October 1, 2009, and ending on March 31, 2010, is lower than for the period beginning on April 1, 2010, and ending on September 30, 2010, the hospital shall be paid an additional amount that reflects the difference between the wage indices. The provision applies to both IPPS and OPSS hospital payments.

Instructions about how to handle past claims under pre-ACA requirements are forthcoming. The new post-reclassification wage index values and changes to the hospital operating market basket affect the calculation of the CY 2010 OPSS conversion factor. For the CY 2010 OPSS Final Rule, CMS calculated a final conversion factor of \$67.406 (74 FR 60419). CMS now calculates a revised CY 2010 OPSS conversion factor of \$67.241 by applying the revised wage index adjustment and the updated market basket. For a detailed discussion of the calculation of the conversion factor and the OPSS payment rates, please see the CY 2010 OPSS final rule claims accounting available online at

[http://www.cms.gov/HospitalOutpatientPPS/Downloads/CMS\\_1414\\_FC\\_OPSS\\_2010\\_FR\\_Clai](http://www.cms.gov/HospitalOutpatientPPS/Downloads/CMS_1414_FC_OPSS_2010_FR_Clai)

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[ms Accounting narrative.pdf](#) on the CMS website and the November 20, 2009 CY 2010 OPPS/ASC final rule with comment period (74 FR 60419).

Due to the revised CY 2010 OPPS conversion factor, the CY 2010 OPPS payment rates for certain services based on the new conversion factor, effective January 1, 2010, will change. Consequently, any calculations based on these revised OPPS payment rates would also change, including the OPPS copayment rates. Offset calculations that are based on payment rates have also changed, including the Drug and Device Offsets available online at [http://www.cms.gov/HospitalOutpatientPPS/04\\_passthrough\\_payment.asp#TopOfPage](http://www.cms.gov/HospitalOutpatientPPS/04_passthrough_payment.asp#TopOfPage) and the device FB/FC modifier offsets available online at [http://www.cms.gov/HospitalOutpatientPPS/02\\_device\\_procedure.asp#TopOfPage](http://www.cms.gov/HospitalOutpatientPPS/02_device_procedure.asp#TopOfPage) on the CMS website.

Finally, section 3121 of the ACA extends the hold harmless provision for small rural hospitals with 100 or fewer beds through December 31, 2010, at 85 percent of the hold harmless amount. Sole Community Hospitals (SCHs) and Essential Access Community Hospitals (EACHs) are no longer limited to those with 100 or fewer beds effective January 1, 2010 through December 31, 2010 and these providers will receive TOPs payments at 85 percent of the hold harmless amount until December 31, 2010. Cancer and children's hospitals are permanently held harmless under section 1833(t)(7)(D)(ii) of the Social Security Act and continue to receive TOPs payments in CY 2010.

### **Changes to Payments for Certain Drugs and Biologicals**

In addition to these changes created by the affordable care act, the copayment for diagnostic radiopharmaceuticals, implantable biologicals and contrast agents with pass-through status was incorrect in the April OPPS Pricer, version 2.0. The copayment amount is now correct in the updated OPPS Pricer, version 2.2.

### **Changes to OPPS Pricer Logic**

- The OPPS Pricer is revised to reflect the CY 2010 OPPS payment rates that are recalculated to reflect the changes to the hospital market basket and wage index that are required by sections 3401 and 3137 of the ACA, respectively, effective for services furnished on and after January 1, 2010. New OPPS payment rates and copayment amounts will be effective for services furnished on and after January 1, 2010.
- Update unrelated to ACA - The OPPS Pricer is revised to reflect \$0 copayments for the diagnostic radiopharmaceuticals, implantable biologicals and contrast agents with pass-through status beginning January 1, 2010 as the OPPS Pricer, version 2.0, incorrectly included a copayment for those items.
- Update unrelated to ACA - The OPPS Pricer is revised to reflect correct payment amounts for three Healthcare Common Procedure Coding System (HCPCS) codes for drugs and biological, effective April 1, 2010. The corrected payment rates are listed below and in CR 6996.

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HCPCS Code	Status Indicator	APC	Short Descriptor	Corrected Payment Rate	Corrected Minimum Unadjusted Copayment
C9258	G	9258	Telavancin injection	\$2.12	\$0.42
C9262	G	9262	Fludarabine phosphate, oral, 1 mg	\$8.18	\$1.61
J1540	K	0923	Gamma globulin 9 CC inj	\$141.64	\$28.33

- Effective for services furnished on and after January 1, 2010, all SCHs and EACHs will be eligible for Transitional Outpatient Payments (TOPs) without regard to the bed size of the facility. Effective for services furnished on and after January 1, 2010, small rural hospitals with 100 or fewer beds will be eligible for TOPs. Rural SCH/EACHs will continue to receive a 7.1 percent payment increase for most services in CY 2010. The rural SCH and EACH payment adjustment excludes drugs, biologicals, items and services paid at charges reduced to cost, and items paid under the pass-through payment policy in accordance with section 1833(t)(13)(B) of the Act, as added by section 411 of Pub. L. 108-173.
- Although copayment amounts will change as a result of the recalculation of the CY 2010 OPSS payment rates, all coinsurance rates remain limited to a maximum of 40 percent of the ambulatory payment classification (APC) payment rate. Copayment amounts for each service continue to be limited to the inpatient deductible of \$1,100.
- Effective January 1, 2010, CMS is adopting the final FY 2010 IPPS post-reclassification wage index values as revised by section 3137(a) as amended by 10317 of Pub. L. 111-148 for the calendar year, including extension of section 508 reclassification wage index values through September 30, 2010. Special exception wage values apply for CY 2010. Revised post-reclassification wage index values implemented in the IPPS Pricer in April will be implemented in the OPSS in July and issued with the July Pricer. (See CR 6996 at <http://www.cms.gov/Transmittals/downloads/R1980CP.pdf> on the CMS website.)
- Effective January 1, 2010 there will be two contrast agents receiving pass-through payments in the OPSS Pricer logic. For a specific set of APCs identified elsewhere in this update, Pricer will reduce the amount of the pass-through contrast agent by the wage-adjusted offset for the APC with the highest offset amount when the contrast agent with pass-through status appears on a claim on the same date of service with a procedure from the identified list of APCs with procedures using contrast agents. The offset will cease to apply when the contrast agent expires from pass-through status. The offset amounts for contrast agents are the "policy-packaged" portions of the CY 2010 APC payments for procedures using contrast agents and may be found on the CMS Web site. These offset amounts have been updated to reflect CY

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- 2010 OPSS payment rates that are recalculated to reflect the changes to the hospital market basket and wage index that are required by sections 3401 and 3137 of the ACA.
- Effective January 1, 2010 there will be one diagnostic radiopharmaceutical receiving pass-through payment in the OPSS Pricer logic. For APCs containing nuclear medicine procedures, Pricer will reduce the amount of the pass-through diagnostic radiopharmaceutical payment by the wage-adjusted offset for the APC with the highest offset amount when the radiopharmaceutical with pass-through appears on a claim with a nuclear procedure. The offset will cease to apply when the diagnostic radiopharmaceutical expires from pass-through status. The offset amounts for diagnostic radiopharmaceuticals are the “policy-packaged” portions of the CY 2010 APC payments for nuclear medicine procedures and may be found on the CMS website. These offset amounts have been updated to reflect CY 2010 OPSS payment rates that are recalculated to reflect the changes to the hospital market basket and wage index that are required by sections 3401 and 3137 of the ACA.
  - APC offset amounts equal to the device portion of the APC for devices received without cost or at a reduced cost, and indicated by the FB and FC modifier respectively, are updated to reflect CY 2010 OPSS payment rates that are recalculated to reflect the changes to the hospital market basket and wage index that are required by sections 3401 and 3137 of the ACA.

## IRF Updates

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Sections 1886(j)(3)(C) and (D) of the Act require the increase factor to be reduced by 0.25 percentage point for FY 2010 and FY 2011. In accordance with paragraph (p) of section 3401 of the ACA, the adjusted FY 2010 market basket increase factor is only applied to discharges on or after April 1, 2010. Thus, CMS revised the FY 2010 IRF Federal prospective payment rates for all IRF discharges occurring on or after April 1, 2010 to reflect an adjusted market basket increase factor of 2.25 percent, instead of the 2.5 percent market basket increase factor for FY 2010 that was published in the FY 2010 IRF PPS final rule (74 FR 39778). Revising the market basket increase factor for FY 2010 from 2.5 percent to 2.25 percent changes the FY 2010 standard payment conversion factor from the \$13,661 that was published in the FY 2010 IRF PPS final rule (74 FR 39780) to \$13,627.

In order to maintain estimated outlier payments in FY 2010 at the percentage adopted in the CMS FY 2010 final rule, CMS revises the IRF outlier threshold amount for FY 2010 from \$10,652 that was published in the FY 2010 IRF PPS final rule (74 FR 39788) to \$10,721 for FY 2010 IRF discharges occurring on or after April 1, 2010. The outlier threshold amount of \$10,652 continues to apply for IRF discharges occurring on or after October 1, 2009 through March 31, 2010.

## Additional Information

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The official instruction, CR 7029, issued to your FI and A/B MAC regarding this change may be viewed at <http://www.cms.gov/Transmittals/downloads/R728OTN.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.gov/MLNProducts/downloads/CallCenterTollNumDirectory.zip> on the CMS website.

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