

DEPARTMENT OF HEALTH AND HUMAN SERVICES
Centers for Medicare & Medicaid Services



MLN Matters® Number: MM9523

Related Change Request (CR) #: CR 9523

Related CR Release Date: February 4, 2016

Effective Date: January 1, 2016

Related CR Transmittal #: R3449CP

Implementation Date: April 4, 2016

Off-Cycle Update to the Inpatient Prospective Payment System (IPPS) Fiscal Year (FY) 2016 Pricer

Provider Types Affected

This MLN Matters® Article is intended for hospitals submitting claims to Medicare Administrative Contractors (MACs) for services provided to Medicare beneficiaries and which are paid using the Fiscal Year (FY) 2016 Inpatient Prospective Payment System (IPPS) Pricer.

Provider Action Needed

Change Request (CR) 9523 implements changes to the FY 2016 IPPS Pricer in compliance with Section 601 of the Consolidated Appropriations Act 2016. Make sure that your billing staff are aware of these changes.

Background

On December 18, 2015, the [Consolidated Appropriations Act, 2016](#) was signed into law. As part of that act, Section 601 - *Modification of Medicare Inpatient Hospital Payment Rate for Puerto Rico Hospitals* modifies the payment calculation with respect to operating costs of inpatient hospital services of a subsection (d) Puerto Rico hospital for discharges on or after January 1, 2016.

The amount of the payment (with respect to the operating costs of inpatient hospital services of a subsection (d) Puerto Rico hospital for inpatient hospital discharges on or after January 1, 2016) will be based on 100 percent of the national standardized amount. Puerto Rico hospitals will no longer be paid with a Puerto Rico specific standardized amount.

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At this time, there are no changes to the IPPS payment calculation for capital-related costs of inpatient hospital services of Puerto Rico hospitals, and the capital IPPS payment for Puerto Rico hospitals for all discharges occurring during FY 2016 continue to be based on a blend of 25 percent of the capital IPPS Puerto Rico rate and 75 percent of the capital IPPS Federal rate.

The IPPS FY 2016 Pricer will include conforming changes to certain FY 2016 IPPS operating rates and factors that result from the application of the new Puerto Rico hospital operating IPPS payment calculation requirement. These changes are applicable to all IPPS hospital discharges on or after January 1, 2016. MACs will reprocess all IPPS claims with a discharge date on or after 01/01/16 through the implementation of the revised Pricer by May 31, 2016.

In addition, new state code '84' for Puerto Rico (assigned in [CR 9300](#) will be added to the IPPS Pricer.

Also, In the Calendar Year (CY) 2016 Outpatient PPS Final Rule (and implemented in CR 9408, Transmittal 3390, issued November 2, 2015), the Centers for Medicare & Medicaid /Services (CMS) provided for a transition period for certain former Medicare-Dependent, Small Rural Hospitals (MDHs) to mitigate the financial impact of losing MDH status in FY 2015 as a result of the loss of their rural status under the new OMB delineations. Under this transitional payment, for FY 2016 discharges occurring on or after January 1, 2016, through September 30, 2016, qualifying former MDHs receive an add-on payment equal to two-thirds of “the MDH add-on” (that is, two-thirds of 75 percent of the amount by which the Federal rate payment is exceeded by the hospital’s hospital-specific rate payment). The Pricer logic for hospitals that CMS identified as qualifying for this add-on payment for FY 2016 has been revised to correct an inadvertent technical error in the calculation of certain payment amounts for such hospitals.

MACs will reprocess all inpatient claims from the former MDHs that CMS identified as eligible for the transition payment (as described in CR 9408) with a discharge date on or after 10/1/2015 through the implementation of the revised FY 2016 IPPS Pricer in CR9523 by May 31, 2016.

Additional Information

The official instruction, CR9523, issued to your MAC regarding this change is available at <https://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/Downloads/R3449CP.pdf> on the CMS website.

If you have any questions, please contact your MAC at their toll-free number. That number is available at <http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNMattersArticles/index.html> under - How Does It Work.

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