

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



**MLN Matters® Number: MM9723**

**Related Change Request (CR) #: CR 9723**

**Related CR Release Date: October 19, 2016**

**Effective Date: October 1, 2016**

**Related CR Transmittal #: R3626CP**

**Implementation Date: October 3, 2016**

## **Fiscal Year (FY) 2017 Inpatient Prospective Payment System (IPPS) and Long-Term Care Hospital (LTCH) PPS Changes**

### **Provider Types Affected**

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This MLN Matters® Article is intended for hospitals that submit claims to Medicare Administrative Contractors (MACs) for inpatient hospital services provided to Medicare beneficiaries by short-term acute care and long-term care hospitals (LTCHs).

### **Provider Action Needed**

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This article is based on Change Request (CR) 9723 which implements policy changes for FY 2017 IPPS and LTCH PPS and covers services effective for hospital discharges occurring on or after October 1, 2016, through September 30, 2017, unless otherwise noted. Failure to adhere to these new policies could affect payment of Medicare claims. Make sure that your billing staff is aware of these IPPS and LTCH PPS changes for FY 2017.

### **Background**

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The Social Security Amendments of 1983 (P.L. 98-21) provided for establishment of a Prospective Payment system (PPS) for Medicare payment of inpatient hospital services. In addition, the Medicare, Medicaid, and SCHIP Balanced Budget Refinement Act of 1999 (BBRA), as amended by the Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA), required that a budget neutral, per discharge PPS for LTCHs based on Diagnosis-Related Groups (DRGs) be implemented for cost reporting periods beginning on or after October 1, 2002. The Centers for Medicare & Medicaid Services (CMS) is required to make updates to these prospective payment systems annually.

CMS displayed the following policy changes for FY 2017 in the Federal Register on August 2, 2016, with a publication date of August 22, 2016. All items covered in CR9723 are

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effective for hospital discharges occurring on or after October 1, 2016, through September 30, 2017, unless otherwise noted.

**IPPS FY 2017 Update**

**FY 2017 IPPS Rates and Factors**

**Table 1--FY 2017 IPPS Rates and Factors**

Standardized Amount Applicable Percentage Increase	<ul style="list-style-type: none"> <li>• 1.0165 if Quality = '1' and EHR = 'blank' in Provider Specific File (PSF); or</li> <li>• 1.00975 if Quality = '0' and EHR = 'blank' in PSF; or</li> <li>• 0.99625 if Quality = '1' and EHR = 'Y' in PSF; or</li> <li>• 0.9895 if Quality = '0' and EHR = 'Y' in PSF</li> </ul>
Common Fixed Loss Cost Outlier Threshold	\$23,573
Federal Capital Rate	\$446.79

**Operating Rates for Wage Index > 1**

	Hospital Submitted Quality Data and is a Meaningful Electronic Health Record (EHR) User (Update = 1.65 Percent)		Hospital Did NOT Submit Quality Data and is a Meaningful EHR User (Update = 0.975 Percent)		Hospital Submitted Quality Data and is NOT a Meaningful EHR User (Update = -0.375 Percent)		Hospital Did NOT Submit Quality Data and is NOT a Meaningful EHR User (Update = -1.05 Percent)	
	Labor	Nonlabor	Labor	Nonlabor	Labor	Nonlabor	Labor	Nonlabor
National	\$3,839.23	\$1,676.91	\$3,813.74	\$1,665.77	\$3,762.75	\$1,643.50	\$3,737.25	\$1,632.37
PR National	\$3,839.23	\$1,676.91	\$3,839.23	\$1,676.91	\$3,839.23	\$1,676.91	\$3,839.23	\$1,676.91

**Operating Rates Wage Index < or = 1**

	Hospital Submitted Quality Data and is a Meaningful EHR User (Update = 1.65 Percent)		Hospital Did NOT Submit Quality Data and is a Meaningful EHR User (Update = 0.975 Percent)		Hospital Submitted Quality Data and is NOT a Meaningful EHR User (Update = -0.375 Percent)		Hospital Did NOT Submit Quality Data and is NOT a Meaningful EHR User (Update = -1.05 Percent)	
	Labor	Nonlabor	Labor	Nonlabor	Labor	Nonlabor	Labor	Nonlabor
National	\$3,420.01	\$2,096.13	\$3,397.30	\$2,082.21	\$3,351.88	\$2,054.37	\$3,329.16	\$2,040.46
PR National	\$3,420.01	\$2,096.13	\$3,420.01	\$2,096.13	\$3,420.01	\$2,096.13	\$3,420.01	\$2,096.13

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### **MS-DRG Grouper and Medicare Code Editor (MCE) Changes**

For discharges occurring on or after October 1, 2016, the Fiscal Intermediary Shared System (FISS) calls the appropriate GROUPER based on discharge date. For discharges occurring on or after October 1, 2016, the MCE selects the proper internal code edit tables based on discharge date. Medicare contractors should have received the MCE documentation in August 2016. Note that the MCE version continues to match the Grouper version.

Effective October 1, 2016, MS-DRGs 228 through 230 (Other cardiothoracic procedures w MCC, w CC and w/o CC/MCC, respectively) are collapsed from three severity levels to two severity levels by deleting MS-DRG 230 and revising MS-DRG 229, as follows:

- MS-DRG 229 Other cardiothoracic procedures w/o MCC
- MS-DRG 230 Other cardiothoracic procedures w/o CC/MCC

Effective October 1, 2016, the title for MS-DRG 884 (Organic Disturbance and Mental Retardation) is revised to MS-DRG 884 (Organic Disturbances and Intellectual Disability).

### **Post-acute Transfer and Special Payment Policy**

No new MS-DRGs will be added to the list of MS-DRGs subject to the post-acute care transfer policy and special payment policy. See Table 5 of the FY 2017 IPPS/LTCH PPS Final Rule for a listing of all Post-acute and Special Post-acute MS-DRGs at

<http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/index.html>. Then click on the link on the left side of the screen titled, “FY 2017 IPPS Final Rule Home Page” or “Acute Inpatient Files for Download.”

### **New Technology Add-On**

The following items will continue to be eligible for new-technology add-on payments in FY 2017:

1. Name of Approved New Technology: CardioMEMS™ HF Monitoring System
  - Maximum Add on Payment: \$8,875
  - Identify and make new technology add-on payments with ICD-10-PCS procedure code 02HQ30Z or 02HR30Z
2. Name of Approved New Technology: Blinatumomab (BLINCYTO™)
  - Maximum Add on Payment: \$27,017.85
  - Identify and make new technology add-on payments with ICD 10 PCS procedure code XW03351 or XW04351
3. Name of Approved New Technology: LUTONIX® Drug Coated Balloon (DCB) Percutaneous Transluminal Angioplasty (PTA) and IN.PACT™Admiral™ Pacliaxel Coated Percutaneous Transluminal Angioplasty (PTA) Balloon Catheter
  - Maximum Add on Payment: \$1,035.72
  - Identify and make new technology add-on payments with any of the following ICD-10-PCS procedure codes: 047K041, 047K0D1, 047K0Z1, 047K341, 047K3D1, 047K3Z1, 047K441, 047K4D1, 047K4Z1, 047L041, 047L0D1, 047L0Z1, 047L341, 047L3D1, 047L3Z1,

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047L441, 047L4D1, 047L4Z1, 047M041, 047M0D1, 047M0Z1, 047M341, 047M3D1, 047M3Z1, 047M441, 047M4D1, 047M4Z1, 047N041, 047N0D1, 047N0Z1, 047N341, 047N3D1, 047N3Z1, 047N441, 047N4D1, 047N4Z1

**The following items will be eligible for new-technology add-on payments in FY 2017:**

4. Name of Approved New Technology: MAGEC® Spinal Bracing Distraction system

- Maximum Add on Payment: \$15,750
- Identify and make new technology add-on payments with ICD-10-PCS procedure codes XNS0032, XNS0432, XNS3032, XNS3432, XNS4032 or XNS4432

5. Name of Approved New Technology: GORE IBE device system

- Maximum Add on Payment: \$5,250
- Identify and make new technology add-on payments with ICD-10-PCS procedure codes: 04VC0EZ; 04VC0FZ; 04VC3EZ; 04VC3FZ; 04VC4EZ; 04VC4FZ; 04VD0EZ; 04VD0FZ; 04VD3EZ; 04VD3FZ; 04VD4EZ; or 04VD4FZ

6. Name of Approved New Technology: Idarucizumab

- Maximum Add on Payment: \$1,750
- Identify and make new technology add-on payments with ICD-10-PCS procedure codes: XW03331 or XW04331

7. Name of Approved New Technology: Defitelio®

- Maximum Add on Payment: \$75,900
- Identify and make new technology add-on payments with ICD-10-PCS procedure codes: XW03392 and XW04392

8. Name of Approved New Technology: Vistogard™

- Maximum Add on Payment: \$37,500
- Identify and make new technology add-on payments with any of the following ICD-10-PCS diagnosis codes T45.1X1A, T45.1X1D, T45.1X1S, T45.1X5A, T45.1X5D, and T45.1X5S in combination with ICD-10-PCS procedure code XW0DX82

**Cost of Living Adjustment (COLA) Update for IPPS PPS**

The IPPS incorporates a COLA for hospitals located in Alaska and Hawaii. There are no changes to the COLAs for FY 2017, and are the same COLAs established for FY 2014. These COLAs are shown in the following table:

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**Table 2: FY 2017 Cost-of-Living Adjustment Factors (COLAs):****Alaska Hospitals**

<b>Alaska</b>	<b>Cost of Living Adjustment Factor</b>
City of Anchorage and 80-kilometer (50-mile) radius by road	1.23
City of Fairbanks and 80-kilometer (50-mile) radius by road	1.23
City of Juneau and 80-kilometer (50-mile) radius by road	1.23
Rest of Alaska	1.25

**Table 2: FY 2017 Cost-of-Living Adjustment Factors (COLAs):****Hawaii Hospitals**

<b>Hawaii</b>	<b>Cost of Living Adjustment Factor</b>
City and County of Honolulu	1.25
County of Hawaii	1.19
County of Kauai	1.25
County of Maui and County of Kalawao	1.25

**FY 2017 Wage Index Changes and Issues****1. New Wage Index Labor Market Areas and Transitional Wage Indexes**

a. Effective October 1, 2014, CMS revised the labor market areas used for the wage index based on the most recent labor market area delineations issued by the Office of Management and Budget (OMB) using 2010 Census data.

In order to mitigate potential negative payment impacts due to the adoption of the new OMB delineations, for the few hospitals that were located in an urban county prior to October 1, 2014, that became rural effective October 1, 2014, under the new OMB delineations, CMS assigned a hold-harmless urban wage index value of the labor market area in which they are physically located for FY 2014 for 3 years beginning in FY 2015. That is, for FYs 2015, 2016, and 2017, assuming no other form of wage index reclassification or redesignation is granted, these hospitals are assigned the area wage index value of the urban CBSA in which they were geographically located in FY 2014.

Note that for hospitals that are receiving the 3-year hold-harmless wage index, the transition is only for the purpose of the wage index and does not affect the hospital's urban or rural status for any other payment purposes.

b. As discussed in the FY 2017 IPPS/LTCH PPS final rule ([81 FR 56913](#)), among other changes, OMB Bulletin No. 15-01 made the following changes that are relevant to the IPPS wage index:

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- Garfield County, OK, with principal city Enid, OK, which was a Micropolitan (geographically rural) area, now qualifies as an urban new CBSA 21420 called Enid, OK.

## **2. Treatment of Certain Providers Redesignated Under the Social Security Act (Section 1886(d)(8)(B))**

[42 CFR 412.64\(b\)\(3\)\(ii\)](#) implements section (1886(d)(8)(B)) of the Social Security Act which redesignates certain rural counties adjacent to one or more urban areas as urban for the purposes of payment under the IPPS. (These counties are commonly referred to as “Lugar counties”.)

Accordingly, hospitals located in Lugar counties are deemed to be located in an urban area and their IPPS payments are determined based upon the urban area to which they are redesignated. A hospital that waives its Lugar status in order to receive the out-migration adjustment has effectively waived its deemed urban status, and is considered rural for all IPPS purposes.

## **3. Section 505 Hospitals (Out-Commuting Adjustment)**

Section 505 of the Medicare Modernization Act of 2003 (MMA), also known as the “outmigration adjustment, is an adjustment that is based primarily on commuting patterns and is available to hospitals that are not reclassified by the Medicare Geographic Classification Review Board (MGCRB), reclassified as a rural hospital under § [412.103](#), or redesignated under the Social Security Act (Section 1886(d)(8)(B)).

### **Treatment of Certain Urban Hospitals Reclassified as Rural Hospitals Under § 412.103 and Hospitals reclassified under the Medicare Geographic Classification Review Board (MGCRB)**

An urban hospital that reclassifies as a rural hospital under § 412.103 is considered rural for all IPPS purposes. Note, hospitals reclassified as rural under § 412.103 are not eligible for the capital DSH adjustment since these hospitals are considered rural under the capital PPS (see § 412.320(a)(1)).

Prior to April 21, 2016, the regulations at § 412.230(a)(5)(ii) and § 412.230(a)(5)(iii) prohibited hospitals from simultaneously receiving an urban to rural reclassification under § 412.103 and a reclassification under the MGCRB. Also, the regulations did not allow a LUGAR hospital (that is, a hospital located in a Lugar county) to keep its LUGAR status if it was approved for an urban to rural reclassification under § 412.103. In light of court decisions that ruled as unlawful the regulation precluding a hospital from maintaining simultaneous MGCRB and § 412.103 reclassifications, on April 18, 2016, CMS issued an interim final rule with comment period (CMS-1664-IFC) amending the regulations to conform to the court decisions. The IFC is effective April 21, 2016, and was finalized in the **Federal Register** published on August 2, 2016. The IFC allows hospitals nationwide that have an MGCRB reclassification or LUGAR status during FY 2016 and subsequent years the opportunity to simultaneously seek urban to rural reclassification under § 412.103 for IPPS payment and other purposes, and keep their existing MGCRB reclassification or LUGAR status.

### **Multicampus Hospitals with Inpatient Campuses in Different CBSAs**

Beginning with the FY 2008 wage index, CMS instituted a policy that allocates the wages and hours to the CBSA in which a hospital campus is located when a multi-campus hospital has

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campuses located in different CBSAs. Medicare payment to a hospital is based on the geographic location of the hospital facility at which the discharge occurred. Note that, under certain circumstances, it is permissible for individual campuses to have reclassifications to another CBSA. In general, subordinate campuses are subject to the same rules regarding withdrawals and cancellations of reclassifications as main providers.

### **Medicare-Dependent, Small Rural Hospital (MDH) Program Expiration**

The MDH program provides enhanced payment to support small rural hospitals for which Medicare patients make up a significant percentage of inpatient days or discharges. The MDH program is currently effective through September 30, 2017, as provided by Section 205 of the Medicare Access and CHIP Reauthorization Act of 2015. Provider Types 14 and 15 continue to be valid through September 30, 2017.

In the Calendar Year (CY) 2016 OPPS Final Rule, CMS provided for a transition period for these hospitals to mitigate the financial impact of losing MDH status to hospitals that (1) lost their MDH status because they are no longer in a rural area due to the adoption of the new OMB delineations in FY 2015 and (2) have not reclassified from urban to rural under the regulations at §412.103 before January 1, 2016. During the transition period (January 1, 2016, through September 30, 2017), such hospitals (“qualifying former MDHs”) will receive a transitional add-on payment. For discharges occurring on or after October 1, 2016, through September 30, 2017, qualifying former MDHs will receive an add-on payment equal to one-third of “the MDH add-on” (that is, one-third of 75 percent of the amount by which the Federal rate payment is exceeded by the hospital’s hospital-specific rate). Information on the requirements implementing this transitional add-on payment for former MDHs are in CR9408, which is available at <https://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/Downloads/R3390CP.pdf>.

Based on the best available information, CMS has identified the hospitals it believes qualify for this transitional add-on payment. The Pricer logic has been modified to calculate this transitional add-on payment in the HSP-payment field in the Pricer for the qualifying hospitals identified by CMS.

### **Hospital Specific (HSP) Rate Factors for Sole Community Hospitals (SCHs) and Medicare-Dependent, Small Rural Hospitals (MDHs)**

For FY 2017, the HSP amount in the PSF for SCHs and MDHs will continue to be entered in FY 2012 dollars. PRICER will apply the cumulative documentation and coding adjustment factor for FYs 2011 through 2014 of 0.9480, the FY 2017 2-midnight rule one-time prospective increase of 1.006 (as well as the removal of 0.998 2-midnight rule adjustment applied in FY 2014), and apply all of the updates and DRG budget neutrality factors to the HSP amount for FY 2013 and beyond.

### **Low-Volume Hospitals – Criteria and Payment Adjustments for FY 2017**

The temporary changes to the low-volume hospital payment adjustment originally provided by the Affordable Care Act, and extended by subsequent legislation, expanded the definition of a low-volume hospital and modified the methodology for determining the payment adjustment for hospitals meeting that definition. Section 204 of the Medicare Access and CHIP Reauthorization Act of 2015 extended the temporary changes to the low-volume hospital payment adjustment through September 30, 2017.

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In order to qualify as a low-volume hospital in FY 2017, a hospital must be located more than 15 road miles from another “subsection (d) hospital” and have less than 1600 Medicare discharges (which includes Medicare Part C discharges and is based on the latest available MedPAR data). The applicable low-volume percentage increase is determined using a continuous linear sliding scale equation that results in a low-volume hospital payment adjustment ranging from an additional 25 percent for hospitals with 200 or fewer Medicare discharges to a zero percent additional payment adjustment for hospitals with 1,600 or more Medicare discharges. For FY 2017, qualifying low-volume hospitals and their payment adjustment are determined using Medicare discharge data from the March 2016 update of the FY 2015 MedPAR file. Table 14 of the FY 2017 IPPS/LTCH PPS final rule (available at <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/FY2017-IPPS-Final-Rule-Home-Page.html>) lists the “subsection (d)” hospitals with fewer than 1,600 Medicare discharges based on the March 2016 update of the FY 2015 MedPAR file and their low-volume hospital payment adjustment for FY 2017 (if eligible). CMS notes that the list of hospitals with fewer than 1,600 Medicare discharges in Table 14 does **not** reflect whether or not the hospital meets the mileage criterion (that is, the hospital is located more than 15 road miles from any other subsection (d) hospital, which, in general, is an IPPS hospital).

A hospital must notify and provide documentation to its MAC that it meets the mileage criterion as outlined in prior program guidance and the FY 2017 IPPS/LTCH PPS final rule.

To receive a low-volume hospital payment adjustment under § 412.101 for FY 2017, a hospital must make a written request for low-volume hospital status that was received by its MAC no later than September 1, 2016, in order for the applicable low-volume hospital payment adjustment to be applied to payments for discharges occurring on or after October 1, 2016. Under this procedure, a hospital that qualified for the low-volume hospital payment adjustment in FY 2016 may continue to receive a low-volume hospital payment adjustment for FY 2017 without reapplying if it continues to meet the Medicare discharge criterion established for FY 2017 (as shown in Table 14 of the FY 2017 IPPS/LTCH PPS Final Rule) and the mileage criterion. However, the hospital must have send written verification that was received by its MAC no later than September 1, 2016, stating that it continues to be more than 15 miles from any other “subsection (d)” hospital. This written verification could be a brief letter to the MAC stating that the hospital continues to meet the low-volume hospital distance criterion as documented in a prior low-volume hospital status request. If a hospital’s written request for low-volume hospital status for FY 2017 was received after September 1, 2016, and if the MAC determines that the hospital meets the criteria to qualify as a low-volume hospital, the MAC shall apply the applicable low-volume hospital payment adjustment to determine the payment for the hospital’s FY 2017 discharges, effective prospectively within 30 days of the date of its low-volume hospital status determination.

### **Hospital Quality Initiative**

The hospitals that will receive the quality initiative bonus are listed at [www.qualitynet.org](http://www.qualitynet.org).

### **Hospital Acquired Condition Reduction Program (HAC)**

Section 3008 of the Affordable Care Act establishes a program, beginning in FY 2015, for IPPS hospitals to improve patient safety, by imposing financial penalties on hospitals that perform poorly with regard to certain HACs. Under the HAC Reduction Program, a one (1) percent payment reduction applies to a hospital whose ranking is in the top quartile (25 percent) of all applicable

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hospitals, relative to the national average, of HACs acquired during the applicable period, and applies to all of the hospital's discharges for the specified fiscal year.

A list of providers subject to the HAC Reduction Program for FY 2017 was not publicly available in the final rule because the review and correction process was not yet completed. Updated hospital level data for the HAC Reduction Program will be made publicly available following the review and corrections process.

### **Hospital Value Based Purchasing**

Section 3001 of the Affordable Care Act added Section 1886(o) to the Social Security Act, establishing the Hospital Value-Based Purchasing (VBP) Program. This program began adjusting base operating DRG payment amounts for discharges from subsection (d) hospitals, beginning in FY 2013. Under its current agreement with CMS, Maryland hospitals are not subject to the Hospital VBP Program for the FY 2017 program year. The regulations that implement this provision are in subpart I of 42 CFR part 412 (§ [412.160](#) through § [412.162](#)).

For FY 2017 CMS will implement the base operating DRG payment amount reduction and the value-based incentive payment adjustments as a single value-based incentive payment adjustment factor applied to claims for discharges occurring in FY 2017. CMS expects to post the value-based incentive payment adjustment factors for FY 2017 in the near future in [Table 16B of the FY 2017 IPPS/LTCH PPS final rule](#).

### **Hospital Readmissions Reduction Program**

The readmissions payment adjustment factors for FY 2017 are in [Table 15 of the FY 2017 IPPS/LTCH PPS final rule](#). Hospitals that are not subject to a reduction under the Hospital Readmissions Reduction Program in FY 2017 (such as Maryland hospitals), have a readmission adjustment factor of 1.0000. For FY 2017, hospitals should only have a readmission adjustment factor between 1.0000 and 0.9700.

**NOTE:** Hospitals located in Maryland (for FY 2017) and in Puerto Rico are not subject to the Hospital Readmissions Reduction Program, and therefore, are not listed in Table 15.

### **Medicare Disproportionate Share Hospitals (DSH) Program**

Section 3133 of the Affordable Care Act modified the Medicare DSH program beginning in FY 2014, by providing that hospitals received 25 percent of the amount they previously would have received under the current statutory formula for Medicare DSH. The remainder, equal to 75 percent of what otherwise would have been paid as Medicare DSH, will become an uncompensated care payment after the amount is reduced for changes in the percentage of individuals that are uninsured. Each Medicare DSH hospital will receive a portion of this uncompensated care pool based on its share of total uncompensated care reported by Medicare DSH hospitals. A Medicare DSH hospital's share of uncompensated care is based on its share of insured low income days, defined as the sum of Medicare Supplemental Security Income (SSI) days and Medicaid days, relative to all Medicare DSH hospitals' insured low income days.

The Medicare DSH payment will be reduced to 25 percent of the amount they previously would have received under the current statutory formula in PRICER. The calculation of the Medicare DSH payment adjustment will remain unchanged and the 75 percent reduction to the DSH payment will be applied in PRICER.

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The total uncompensated care payment amount to be paid to Medicare DSH hospitals was finalized in the FY 2017 IPPS Final Rule. The uncompensated care payment will be paid on the claim as an estimated per discharge amount to the hospitals that have been projected to receive Medicare DSH for FY 2017. The estimated per claim amount is determined by dividing the total uncompensated care payment by the average number of claims from the most recent three years of claims data (FY2013-2015). The estimated per discharge uncompensated care payment amount will be included in the outlier payment determinations. In addition, the estimated per discharge uncompensated care payment amount will be included as a Federal payment for Sole Community Hospitals to determine if a claim is paid under the hospital-specific rate or Federal rate and for Medicare Dependent Hospitals to determine if the claim is paid 75 percent of the difference between payment under the hospital-specific rate and payment under the Federal rate. The total uncompensated care payment amount displayed in the Medicare DSH Supplemental Data File on the CMS website will be reconciled at cost report settlement with the interim estimated uncompensated care payments that are paid on a per discharge basis.

### **Recalled Devices**

A hospital's IPPS payment is reduced, for specified MS-DRGs when the implantation of a device is replaced without cost or with a credit equal to 50 percent or more of the cost of the replacement device.

New MS-DRGs are added to the list subject to the policy for payment under the IPPS for replaced devices offered without cost or with a credit when they are formed from procedures previously assigned to MS-DRGs that were already on the list.

There are no new MS-DRGs for FY 2017 subject to the policy for replaced devices offered without cost or with a credit.

## **LTCH PPS FY 2017 Update**

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### **FY 2017 LTCH PPS Rates and Factors**

FY 2017 LTCH PPS Rates and Factors are as follows:

#### **FY 2017 LTCH PPS Rates and Factors**

LTCH PPS Standard Federal Rates	Rates based on successful reporting of quality data. <ul style="list-style-type: none"> <li>• Full update (quality indicator on PSF = 1): \$42,476.41</li> <li>• Reduced update (quality indicator on PSF = 0 or blank): \$41,641.49</li> </ul>
Labor Share	66.5%
Non-Labor Share	33.5%
High-Cost Outlier Fixed-Loss Amount for Standard Federal Rate Discharges	\$21,943
High-Cost Outlier Fixed-Loss Amount for Site- Neutral Rate Discharges	\$23,573

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The LTCH PPS Pricer has been updated with the Version 34.0 MS-LTC-DRG table, weights and factors, effective for discharges occurring on or after October 1, 2016, and on or before September 30, 2017.

### **1. Application of the Site Neutral Payment Rate**

Section 1206(a) of Public Law 113–67 amended Section 1886(m) of the Social Security Act to establish patient-level criteria for payments under the LTCH PPS for implementation beginning for cost reporting periods beginning on or after October 1, 2015.

The application of the site neutral payment rate is codified in the regulations at § [412.522](#). Additional information on the final policies implementing the application of the site neutral payment rate can be found in the FY 2016 Final Rule (80 FR 49601-49623). Section 231 of the Consolidated Appropriations Act created a temporary exception to the site neutral payment rate for certain discharges from certain LTCHs. Additional information on the provisions of Section 231 can be found in the Interim Final Rule with Comment Period (IFC) published in the Federal Register on April 21, 2016 (81 FR 25430) and finalized in the FY 2017 IPPS/LTCH Final Rule (81 FR 57068). Information on the requirements implementing the application of the site neutral payment rate is available in CRs 9015 and 9599.

The provisions of Section 1206(a) of Public Law 113-67 establishes a transitional blended payment rate for site neutral payment rate LTCH discharges occurring in cost reporting periods beginning during FY 2016 or FY 2017, which is implemented in the regulations at § 412.522(c)(1). The blended payment rate is comprised of 50 percent of the site neutral payment rate for the discharge and 50 percent of the LTCH PPS standard Federal payment rate that would have applied to the discharge if the provisions of Public Law 113-67 had not been enacted. This transitional blended payment rate for site neutral payment rate LTCH discharges is included in the Pricer logic.

### **Discharge Payment Percentage**

Beginning with LTCHs' FY 2016 cost reporting periods, the statute requires LTCHs to be notified of their "discharge payment percentage" (DPP), which is the ratio (expressed as a percentage) of the LTCHs' FFS discharges which received LTCH PPS standard Federal rate payment to the LTCHs' total number of LTCH PPS discharges. MACs shall continue to provide notification to the LTCH (other than a sub-clause II LTCH) of its DPP upon final settlement of the cost report.

### **LTCH Quality Reporting (LTCHQR) Program**

The Affordable Care Act (Section 3004(a)) requires the establishment of the Long-Term Care Hospital Quality Reporting (LTCHQR) Program. For FY 2017, the annual update to a standard Federal rate will continue to be reduced by 2.0 percentage points if a LTCH does not submit quality reporting data in accordance with the LTCHQR Program for that year.

### **Cost of Living Adjustment (COLA) under the LTCH PPS**

The LTCH PPS incorporates a COLA for hospitals located in Alaska and Hawaii. There are no changes to the COLAs for FY 2017, and are the same COLAs established in the FY 2014 IPPS/LTCH PPS final rule. The applicable COLAs are the same as those in Tables 2 listed earlier in this article.

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## Additional Information

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The official instruction, CR9723, issued to your MAC regarding this change is available at <http://www.cms.hhs.gov/Regulations-and-Guidance/Guidance/Transmittals/Downloads/R3626CP.pdf>.

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>.

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