

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



MLN Matters® Number: MM9015 **Revised**

Related Change Request (CR) #: CR 9015

Related CR Release Date: September 22, 2015

Effective Date: Discharges in Cost Reporting Periods on or after October 1, 2015

Related CR Transmittal #: R1544OTN

Implementation Date: October 5, 2015

Implementation of Long-Term Care Hospital (LTCH) Prospective Payment System (PPS) Based on Specific Clinical Criteria

This article was revised on October 19, 2016, to include a link to MLN Matters Article SE1627, which contains clarifying information. This link is in the Additional Information section of this article.

Provider Types Affected

This MLN Matters® Article is intended for Long-Term Care Hospitals (LTCHs) that submit claims to Medicare Administrative Contractors (MACs) for Long-Term Care Hospital services provided to Medicare beneficiaries.

Provider Action Needed



STOP – Impact to You

This article is based on Change Request (CR) 9015, which informs you that Section 1206(a) of Public Law 113–67 (2013 Bipartisan Budget Act) amended Section 1886(m) of the Social Security Act (the Act) to establish patient-level criteria for standard payments under the LTCH PPS for implementation beginning for cost reporting periods beginning on or after October 1, 2015.

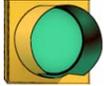
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CAUTION – What You Need to Know

This revision to payments under the existing LTCH PPS will establish two separate payment categories for LTCH patients: Standard and Site Neutral. See the Background and Policy Sections below for details.



GO – What You Need to Do

Make sure that your billing staffs are aware of these changes.

Background

Medicare currently pays for inpatient hospital services for LTCH discharges under the LTCH PPS.

- Under this payment system, the Centers for Medicare & Medicaid Services (CMS) largely sets payment rates prospectively for inpatient stays based on the patient's diagnosis and severity of illness. A hospital generally receives a single payment for the case based on the payment classification, that is, the MS-LTC-DRGs assigned at discharge.
- LTCHs are required to meet the same Medicare Conditions of Participation (COPs) as acute care hospitals that are paid under the Inpatient Prospective Payment System (IPPS). Under existing law, the primary criteria for a hospital to be designated as an LTCH for Medicare payment purposes is a "greater than 25 day average length of stay" requirement.

Until the enactment of the 2013 Bipartisan Budget Act (Public Law 113-67), however, there were no clinical criteria concerning the patients treated in LTCHs. Specifically, Section 1206 of this Act establishes two distinct payment categories under the LTCH PPS:

- "Standard" payments for patient discharges meeting specific clinical criteria; and
- "Site Neutral" payments for those discharges that do not meet the specified clinical criteria.

This revision to payments under the existing LTCH PPS will establish two separate payment categories for LTCH patients:

- Upon discharge, LTCH cases meeting specific clinical criteria will be paid a **standard** LTCH PPS payment (that is, what is generally paid under existing LTCH PPS policy); and
- Upon discharge, those cases not meeting specific clinical criteria will be paid based on a "**site neutral**" basis, which is the lesser of an "IPPS-comparable" payment amount or 100 percent of the estimated cost of the case.

In order to be paid at the **standard** LTCH PPS amount, an LTCH patient must either:

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- Have been admitted directly from an IPPS hospital during which at least 3 days were spent in an Intensive Care Unit (ICU) or Coronary Care Unit (CCU), but the discharge must not be assigned to a psychiatric or rehabilitation MS-LTC-DRG in the LTCH; or
 - Have been admitted directly from an IPPS hospital and the LTCH discharge includes the procedure code for ventilator services of at least 96 hours (ICD-10-CM procedure code 5A1955Z) but must not be assigned to a psychiatric or rehabilitation MS-LTC-DRG in the LTCH.

Existing LTCH PPS policies, such as the Short-Stay Outlier (SSO) policy and the Interrupted Stay policy, will continue to apply in determining the standard LTCH PPS payment for those discharges meeting specific clinical criteria.

The “**site neutral**” amount will be paid for patients discharged from the LTCH that do not meet one or both of the above criteria. Where a site neutral payment is made, MACs will place Remittance Advice Remarks Code N741 (This is a site neutral payment.) on the remittance advice.

Site Neutral payments shall not change the beneficiary’s out of pocket costs. Coinsurance, if applicable, is payable by the beneficiary for the number of days used. The hospital subtracts the coinsurance amount from the Medicare payment. Days after benefits are exhausted are not charged against the beneficiary's utilization whether or not the hospital receives the full MS-LTC-DRG payment.

If there is at least 1 day of utilization left at the time of admission and that day is also a day of entitlement (for example, a day before the beneficiary discontinued voluntary Part A entitlement by not paying the premium), if a site neutral payment is made, the remaining "inlier" days of the stay will be considered covered until the site neutral high cost outlier is reached even though the beneficiary is not using any Medicare covered days. The beneficiary shall not be responsible for non-utilization days. Once the beneficiary reaches the site neutral high cost outlier threshold, the beneficiary may choose to use life-time reserve days.

Additional Information

The official instruction, CR9015, issued to your MAC regarding this change, is available at <https://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/Downloads/R1544OTN.pdf>.

See important clarifying information in MLN Matters Article SE1627 at <https://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNMattersArticles/Downloads/SE1627.pdf>.

If you have questions please contact your MAC at their toll-free number. The number is available at <http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNMattersArticles/index.html>.

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Document History

- October 19, 2016 - Article revised to include a link to SE1627.
- September 22, 2015 - Initial Issuance

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