

CMS Manual System	Department of Health & Human Services (DHHS)
Pub 100-04 Medicare Claims Processing	Centers for Medicare & Medicaid Services (CMS)
Transmittal 3445	Date: January 29, 2016
	Change Request 9527

SUBJECT: Off-Cycle Update to the Long Term Care Hospital (LTCH) Prospective Payment System (PPS) Fiscal Year (FY) 2016 Pricer

I. SUMMARY OF CHANGES: This change request (CR) updates certain rates and factors in the LTCH PPS FY 2016 Pricer applicable to discharges occurring on or after January 1, 2016. This CR also updates the LTCH PPS FY 2016 high-cost outlier fixed-loss amount for site-neutral rate discharges. In addition this CR modifies the IPPS Comparable Amount calculation for Puerto Rico hospitals consistent with the new IPPS payment requirement.

EFFECTIVE DATE: January 1, 2016

**Unless otherwise specified, the effective date is the date of service.*

IMPLEMENTATION DATE: April 4, 2016

Disclaimer for manual changes only: The revision date and transmittal number apply only to red italicized material. Any other material was previously published and remains unchanged. However, if this revision contains a table of contents, you will receive the new/revised information only, and not the entire table of contents.

II. CHANGES IN MANUAL INSTRUCTIONS: (N/A if manual is not updated)

R=REVISED, N=NEW, D=DELETED-Only One Per Row.

R/N/D	CHAPTER / SECTION / SUBSECTION / TITLE
R	3/150.5.2/Budget Neutrality Offset

III. FUNDING:

For Medicare Administrative Contractors (MACs):

The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the MAC Statement of Work. The contractor is not obligated to incur costs in excess of the amounts allotted in your contract unless and until specifically authorized by the Contracting Officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the Contracting Officer, in writing or by e-mail, and request formal directions regarding continued performance requirements.

IV. ATTACHMENTS:

**Recurring Update Notification
Manual Instructions**

Number	Requirement	Responsibility								
		A/B MAC			D M E M A C	Shared-System Maintainers				Other
		A	B	H H H		F I S S	M C S	V M S	C W F	

III. PROVIDER EDUCATION TABLE

Number	Requirement	Responsibility				
		A/B MAC			D M E M A C	C E D I
		A	B	H H H		
9527.3	MLN Article: A provider education article related to this instruction will be available at http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNMattersArticles/ shortly after the CR is released. You will receive notification of the article release via the established "MLN Matters" listserv. Contractors shall post this article, or a direct link to this article, on their Web sites and include information about it in a listserv message within 5 business days after receipt of the notification from CMS announcing the availability of the article. In addition, the provider education article shall be included in the contractor's next regularly scheduled bulletin. Contractors are free to supplement MLN Matters articles with localized information that would benefit their provider community in billing and administering the Medicare program correctly.	X				

IV. SUPPORTING INFORMATION

Section A: Recommendations and supporting information associated with listed requirements: N/A

"Should" denotes a recommendation.

X-Ref Requirement Number	Recommendations or other supporting information:

Section B: All other recommendations and supporting information: CR 9300, Transmittal 1553, issued November 5, 2015.

V. CONTACTS

Pre-Implementation Contact(s): Cami DiGiacomo, camidi.giacomo@cms.hhs.gov

Post-Implementation Contact(s): Contact your Contracting Officer's Representative (COR).

VI. FUNDING

Section A: For Medicare Administrative Contractors (MACs):

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ATTACHMENTS: 0

Medicare Claims Processing Manual

Chapter 3 - Inpatient Hospital Billing

150.5.2 - Budget Neutrality Offset

(Rev.3445, Issued: 01-29-16, Effective: 01-01-16, Implementation: 04-04-16)

A reduction factor to all Medicare payments during the transition to account for the monetary effect of the 5-year transition from the present cost-based payment system and the LTCH PPS, and the policy to permit LTCHs to elect payment solely under the PPS rather than based on the blend during the transition. (See §150.10.1.)

If a LTCH is paid under the transition blend methodology, the budget neutrality offset will be applied to both the TEFRA Rate Percentage and the Federal Rate percentage.

The budget neutrality offset equals 1 minus the ratio of the estimated TEFRA reasonable cost-based payments that would have been made had the LTCH PPS not been implemented to the projected total Medicare program payments that would be made under the transition methodology and the option to elect payment based on the 100 percent of the Federal rate.

The per discharge Federal rates under the PPS are based on average LTCH costs in a base year updated for inflation to the first effective period of the system.

Fiscal year changes to the LTCH PPS system occur annually in October. Specific instructions will be published shortly after the publication of the LTCH Final Rule each year. In addition, other changes to the inpatient prospective payment system may occur in January, April or July as necessary.