

<b>CMS Manual System</b>	<b>Department of Health &amp; Human Services (DHHS)</b>
<b>Pub 100-04 Medicare Claims Processing</b>	<b>Centers for Medicare &amp; Medicaid Services (CMS)</b>
<b>Transmittal 3449</b>	<b>Date: February 4, 2016</b>
	<b>Change Request 9523</b>

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

**I. SUMMARY OF CHANGES:** This change request (CR) implements changes to the FY 2016 IPPS Pricer as a result of Section 601 of the Consolidated Appropriations Act of 2016. The attached Recurring Update Notification applies to Chapter 3, Section 20.3.4.

**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.

<b>R/N/D</b>	<b>CHAPTER / SECTION / SUBSECTION / TITLE</b>
N/A	N/A

**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**

# Attachment - Recurring Update Notification

Pub. 100-04	Transmittal: 3449	Date: February 4, 2016	Change Request: 9523
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## I. GENERAL INFORMATION

**A. Background:** Section 601 of Public Law 114-113, The Consolidated Appropriations Act of 2016, modified the payment calculation with respect to operating costs of inpatient hospital services of a subsection (d) Puerto Rico hospital for inpatient hospital discharges on or after January 1, 2016, to use 100 percent of the applicable Federal payment rate.

**B. Policy:** This CR modifies the operating portion of the inpatient payment calculation for Puerto Rico hospitals. It makes conforming updates to certain IPPS rates and factors resulting from the change to the inpatient payment calculation for Puerto Rico hospitals in the FY 2016 IPPS Pricer and adds new state code '84' for Puerto Rico, assigned in CR 9300, Transmittal 1553, issued November 5, 2015, to the IPPS Pricer.

### IPPS FY 2016 Update

#### A. FY 2016 IPPS Rates and Factors

The following conforming changes have been made to the FY 2016 factors as a result of the change to the IPPS operating payment calculation for Puerto Rico hospitals and are applicable to all IPPS discharges occurring on or after January 1, 2016:

- MS-DRG Reclassification and Recalibration Budget Neutrality Factor: 0.998404
- Wage Index Budget Neutrality Factor: 0.998764
- MS-DRG Reclassification and Recalibration and Wage Index Budget Neutrality Factor: 0.997170
- Reclassification Budget Neutrality Factor: 0.988169
- FY 2016 New Labor Market Delineation Wage Index 3-Year Hold Harmless Transition Budget Neutrality Factor: 0.999998
- National Operating Outlier Factor: 0.948998
- Puerto Rico Capital Outlier Factor: 0.918048
- Fixed Loss Outlier Threshold: \$22,538

Refer to Attachment 1 for the following: Conforming changes to Table 1 for the FY 2016 IPPS Rates and Factors, Table 2 for the FY 2016 Cost-of-Living Adjustment Factors for Alaska and Hawaii Hospitals, and conforming changes to Table 3 for the FY 2016 Factors for Hospital-Specific (HSP) Rate for Sole Community Hospitals (SCHs)



Number	Requirement	Responsibility								
		A/B MAC			DME MAC	Shared-System Maintainers				Other
		A	B	HHH		FISS	MCS	VMS	CWF	
	this CR by May 31, 2016.									
9523.3	Medicare Contractors shall 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 this CR by May 31, 2016.	X								

### III. PROVIDER EDUCATION TABLE

Number	Requirement	Responsibility				
		A/B MAC			DME MAC	CEDI
		A	B	HHH		
9523.4	MLN Article: A provider education article related to this instruction will be available at <a href="http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNMattersArticles/">http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNMattersArticles/</a> 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:

"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, cami.digiacomocms@hhs.gov

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

## **VI. FUNDING**

### **Section A: 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.

**ATTACHMENTS: 1**

**Table 1--FY 2016 IPPS Rates and Factors**

(applicable to discharges occurring on or after January 1, 2016)

Standardized Amount Applicable Percentage Increase	<ul style="list-style-type: none"> <li>• 1.017 if Quality = '1' and EHR = 'blank' in PSF; or</li> <li>• 1.011 if Quality = '0' and EHR = 'blank' in PSF; or</li> <li>• 1.005 if Quality = '1' and EHR = 'Y' in PSF; or</li> <li>• 0.999 if Quality = '0' and EHR = 'Y' in PSF</li> </ul>
Common Fixed Loss Cost Outlier Threshold	\$22,538
Federal Capital Rate	\$438.75
Puerto Rico Capital Rate	\$212.29

**National Operating Rates**

(applicable to discharges occurring on or after January 1, 2016)

<b>Hospital Submitted Quality Data and is a Meaningful EHR User (Update = 1.7 Percent)</b>		<b>Hospital Did NOT Submit Quality Data and is a Meaningful EHR User (Update = 1.1 Percent)</b>		<b>Hospital Submitted Quality Data and is NOT a Meaningful EHR User (Update = 0.5 Percent)</b>		<b>Hospital Did NOT Submit Quality Data and is NOT a Meaningful EHR User (Update = -0.1 Percent)</b>	
<b>Wage Index &gt; 1</b>							
<b>Labor</b>	<b>Nonlabor</b>	<b>Labor</b>	<b>Nonlabor</b>	<b>Labor</b>	<b>Nonlabor</b>	<b>Labor</b>	<b>Nonlabor</b>
\$3,805.40	\$ 1662.13	\$3,782.95	\$1,652.32	\$3,760.50	\$1,642.52	\$3,738.05	\$1,632.71
<b>Wage Index &lt; 1</b>							
<b>Labor</b>	<b>Nonlabor</b>	<b>Labor</b>	<b>Nonlabor</b>	<b>Labor</b>	<b>Nonlabor</b>	<b>Labor</b>	<b>Nonlabor</b>
\$3,389.87	\$2,077.66	\$3,369.87	\$2,065.40	\$3,349.87	\$2,053.15	\$3,329.87	\$2,040.89

**Table 2: FY 2016 Cost-of-Living Adjustment Factors:  
Alaska and Hawaii Hospitals**

<b>Area</b>	<b>Cost of Living Adjustment Factor</b>
<b>Alaska:</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
<b>Hawaii:</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

**Table 3- FY 2016 Factors for Hospital-Specific (HSP) Rate for  
Sole Community Hospitals (SCHs) and Medicare-Dependent,  
Small Rural Hospitals (MDHs)**

(applicable to discharges occurring on or after January 1, 2016)

Hospital Specific (HSP) Rate Applicable Percentage Increase for FY 2016 based on the Hospital Quality Indicator in PSF (data element 34) and EHR Program Reduction indicator in PSF (data element 59)	<ul style="list-style-type: none"> <li>• 1.017 if Quality = '1' and EHR = 'blank' in PSF; or</li> <li>• 1.011 if Quality = '0' and EHR = 'blank' in PSF; or</li> <li>• 1.005 if Quality = '1' and EHR = 'Y' in PSF; or</li> <li>• 0.999 if Quality = '0' and EHR = 'Y' in PSF</li> </ul>
HSP MS-DRG Reclassification and Recalibration Budget Neutrality Adjustment Factor for FY 2016	0.998404

**Table 4 - FY 2016 LTCH PPS Rates and Factors**

(applicable to discharges occurring on or after January 1, 2016)

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): \$41,762.85</li><li>• Reduced update (quality indicator on PSF = 0 or blank): \$40,941.55</li></ul>
Labor Share	62.0%
Non-Labor Share	38.0%
High-Cost Outlier Fixed-Loss Amount for Standard Federal Rate Discharges	\$16,423
High-Cost Outlier Fixed-Loss Amount for Site- Neutral Rate Discharges	\$22,538