

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



## Long Term Care Hospital Prospective Payment System: Payment Adjustment Policy

Long Term Care Hospitals (LTCHs) are certified under Medicare as short-term acute care hospitals. LTCHs treat patients with multi-comorbidities requiring long-stay hospital-level care. For Medicare payment purposes, they are generally defined as having an average inpatient Length of Stay (LOS) greater than 25 days. This fact sheet provides education about the payment adjustment policy applicable under the LTCH Prospective Payment System (LTCH PPS).

### What Was the Original 25 Percent Threshold Rule for Co-Located LTCHs?

In the Fiscal Year (FY) 2005 Inpatient Prospective Payment System (IPPS) Final Rule, the Centers for Medicare & Medicaid Services (CMS) established a special payment adjustment policy for LTCHs as defined by Section 1886(d)(1)(B)(iv)(I) of the Social Security Act. This includes LTCHs that are Hospitals-within-Hospitals (HwHs) or satellites of an LTCH that are **co-located** with a host hospital or on the campus (any facility within 250 yards of the hospital).

This payment adjustment policy was commonly called the “25 percent threshold rule” and applied to the LTCH discharge payment amount. Under this rule, if more than 25 percent of an LTCH HwH’s or an LTCH satellite’s discharges for a cost reporting period

#### Fiscal Year (FY) 2013 Final Rule for the Long Term Care Hospital Prospective Payment System (LTCH PPS)

The FY 2013 Inpatient Prospective Payment System (IPPS) and LTCH Final Rule updates the annual payment rates and payment policy for the LTCH PPS, and includes certain changes made by the Affordable Care Act. Specifically, the FY 2013 Final Rule:

- Creates an LTCH-specific market basket;
- Applies a permanent one-time adjustment to the standard Federal rate phased in over 3 years;
- Delays application of the fully implemented 25 percent payment adjustment threshold policy;
- Allows expiration of the statutory moratorium on the “IPPS Comparable Per Diem Amount” payment option for very short stays under the Short-Stay Outlier (SSO) policy, as well as the statutory moratorium on the development of new LTCHs and LTCH satellites, and on increases in the number of beds in existing LTCHs and LTCH satellite facilities; and
- Clarifies requirements of the LTCH Quality Reporting Program.

These changes apply to discharges occurring on or after October 1, 2012, unless otherwise specified in the Final Rule.

are **admitted from its co-located host hospital**, the payment to the LTCH for that cost reporting period is adjusted for all discharges exceeding the 25 percent threshold. The net payment amount to the LTCH for such discharges is based on the lesser of a payment based on the Medicare Severity Long-Term Care Diagnosis-Related Groups (MS-LTC-DRGs) or an amount equivalent to what Medicare would have otherwise paid under the IPPS.

In special situations (for example, admissions from rural and urban single or Metropolitan Statistical Area [MSA] dominant hospitals), the payment threshold is 50 percent.

## How Was the 25 Percent Threshold Rule Expanded to Other LTCHs?

The FY 2007 LTCH PPS Final Rule expanded the 25 percent payment threshold policy to all LTCHs (including free-standing and grandfathered co-located LTCHs) admitting patients from any hospital with which the LTCH or LTCH satellite was not co-located.

Under this rule, if more than 25 percent of an LTCH HwH's or an LTCH satellite's discharges for a cost reporting period are **admitted from any hospital** other than a hospital with which it is co-located, the payment to the LTCH for that cost reporting period is adjusted for all discharges exceeding the 25 percent threshold. The net payment amount to the LTCH for such discharges is based on the lesser of a payment based on the MS-LTC-DRGs or an amount equivalent to what Medicare would have otherwise paid under the IPPS.

## How Did the Medicare, Medicaid, and SCHIP Extension Act of 2007 (MMSEA) Affect the 25 Percent Threshold Payment Adjustment Policy?

The MMSEA, which was amended by the American Recovery and Reinvestment Act of 2009 (ARRA) and by the Affordable Care Act, made the following changes related to payments to LTCHs and LTCH satellite facilities:

- Raised the payment threshold to 50 percent, in special situations, for LTCH HwHs and LTCH satellites that were regulated under the original 25 percent threshold rule for FY 2005 and were “transitioned” into the full threshold payment adjustment effective for cost reporting periods beginning on or after October 1, 2007, and before October 1, 2012 (the increase also applies to grandfathered LTCH satellites effective for cost reporting periods beginning July 1, 2007, and before July 1, 2012);
- Raised the payment threshold to 75 percent for urban single hospitals or MSA-dominant referring hospitals effective for cost reporting periods beginning on or after October 1, 2007, and before October 12, 2012; and
- Exempted “freestanding” LTCHs and “grandfathered” HwHs in 42 Code of Federal Regulations (CFR) Section 412.536 from the percentage thresholds for 5 years for cost reporting periods beginning on or after July 1, 2007, and before July 1, 2012.

The ARRA also amended the MMSEA provision about the percentage threshold payment adjustment. Specifically, the ARRA added another category of LTCHs subject to the delay in application of the 25 percent payment provision (i.e., LTCHs or LTCH satellites that were, as of December 29, 2007, co-located with provider-based locations of an IPPS hospital that did not deliver services payable under the IPPS at those campuses where the LTCHs or LTCH satellites were located).

## How Will the 25 Percent Threshold Rule Apply after the Sunsetting of the MMSEA and the ARRA Changes to the Policy?

The changes to the policies required by the MMSEA, as amended by the ARRA and the Affordable Care Act, expired in 2012. However, in the FY 2013 Final Rule for LTCH PPS, CMS provides for a regulatory extension of the statutory moratorium for 1 year for cost reporting periods beginning on or after October 1, 2012, and before October 1, 2013. For LTCHs with cost reporting periods beginning on or after July 1, 2012, and before October 1, 2012, CMS also provided for a supplemental moratorium applicable for discharges occurring on or after October 1, 2012, until the end of the LTCH's cost reporting period.

## Which LTCH Discharge Payments Will Be Excluded from the 25 Percent Threshold Criteria?

The following LTCH discharge payments are not subject to the 25 percent threshold adjustment:

- If a patient transferred from an acute care hospital that already qualified for outlier payments, the admission will not count as part of the LTCH's allowable percentage from that hospital.
- If the LTCH exceeds its threshold during a cost reporting year, the LTCH discharges admitted from the admitting hospital prior to reaching the 25 percent (or applicable) threshold will be paid an otherwise unadjusted payment. Only discharges subsequent to surpassing the threshold will be adjusted.
- Subclause (II) LTCHs.

In these situations, the LTCH is eligible for full per-discharge payment under the LTCH PPS for the applicable discharges.

## Where Can I Find More Information about International Classification of Diseases, 9th Revision, Clinical Modification (ICD-9-CM) Coding?

The LTCH PPS Final Rule emphasizes that proper coding is essential for correct diagnosis and procedure reporting. For ICD-9-CM coding information, refer to the following resources:

- The "ICD-9-CM Official Guidelines for Coding and Reporting," at [http://www.cdc.gov/nchs/data/icd9/icd9cm\\_guidelines\\_2011.pdf](http://www.cdc.gov/nchs/data/icd9/icd9cm_guidelines_2011.pdf) on the Centers for Disease Control and Prevention (CDC) website.
- Updates to the ICD-9-CM Diagnosis and Procedure Codes, at <http://www.cms.gov/Medicare/Coding/ICD9ProviderDiagnosticCodes> on the CMS website.

**NOTE:** October 1, 2011, was the last major update of ICD-9-CM. Any further revisions to ICD-9-CM will only be for a new disease and/or a procedure representing new technology. For more information, visit <http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNMattersArticles/Downloads/SE1240.pdf> on the CMS website.


## Coming Soon! International Classification of Diseases, 10th Revision, Clinical Modification/Procedure Coding System (ICD-10-CM/PCS)

For more information about ICD-10-CM/PCS, visit <http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNMattersArticles/Downloads/SE1239.pdf> on the CMS website.

### Resources

Table 1 provides a list of resources about the LTCH PPS.

**Table 1. Resources**

Topic	Resource
FY 2013 LTCH PPS Policy	<p>Regulations and Notices <a href="http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/LongTermCareHospitalPPS/LTCHPPS-Regulations-and-Notices.html">http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/LongTermCareHospitalPPS/LTCHPPS-Regulations-and-Notices.html</a></p> <p>Press Release Updating the LTCH PPS for FY 2013 <a href="http://www.cms.gov/apps/media/press/release.asp?Counter=4420">http://www.cms.gov/apps/media/press/release.asp?Counter=4420</a></p> <p>Medicare Learning Network® (MLN) Matters® Article Regarding LTCH PPS Updates for FY 2013 <a href="http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNMattersArticles/Downloads/MM8041.pdf">http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNMattersArticles/Downloads/MM8041.pdf</a></p>
LTCH Overview	<p><a href="http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/LongTermCareHospitalPPS">http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/LongTermCareHospitalPPS</a></p> <p>You may also visit the LTCH PPS website by scanning the Quick Response (QR) code on the right with your mobile device.</p> 
LTCH PPS Questions	<a href="mailto:ltchpps@cms.hhs.gov">ltchpps@cms.hhs.gov</a>
LTCH Quality Reporting	<a href="http://www.cms.gov/Medicare/Quality-Initiatives-Patient-Assessment-Instruments/LTCH-Quality-Reporting">http://www.cms.gov/Medicare/Quality-Initiatives-Patient-Assessment-Instruments/LTCH-Quality-Reporting</a>

**Table 1. Resources (cont.)**

Topic	Resource
MLN Fact Sheets	<p>“Long Term Care Hospital Prospective Payment System: High Cost Outliers” <a href="http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNProducts/Downloads/LTCH-HighCost.pdf">http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNProducts/Downloads/LTCH-HighCost.pdf</a></p> <p>“Long Term Care Hospital Prospective Payment System: Interrupted Stay” <a href="http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNProducts/Downloads/LTCH-IntStay.pdf">http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNProducts/Downloads/LTCH-IntStay.pdf</a></p> <p>“Long Term Care Hospital Prospective Payment System: News” <a href="http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNProducts/Downloads/LTCH-News.pdf">http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNProducts/Downloads/LTCH-News.pdf</a></p> <p>“Long Term Care Hospital Prospective Payment System: Short-Stay Outliers” <a href="http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNProducts/Downloads/LTCH-ShortStay.pdf">http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNProducts/Downloads/LTCH-ShortStay.pdf</a></p>
MLN Guided Pathways to Medicare Resources	<p>The MLN Educational Web Guides MLN Guided Pathways to Medicare Resources help providers gain knowledge on resources and products related to Medicare and the CMS website. For more information about LTCHs, refer to the “Long Term Care Hospital” section in the “MLN Guided Pathways to Medicare Resources – Provider Specific” booklet at <a href="http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNEdWebGuide/Downloads/Guided_Pathways_Provider_Specific_Booklet.pdf">http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNEdWebGuide/Downloads/Guided_Pathways_Provider_Specific_Booklet.pdf</a> on the CMS website.</p> <p>For all other “Guided Pathways” resources, visit <a href="http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNEdWebGuide/Guided_Pathways.html">http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNEdWebGuide/Guided_Pathways.html</a> on the CMS website.</p>



This fact sheet was current at the time it was published or uploaded onto the web. Medicare policy changes frequently so links to the source documents have been provided within the document for your reference.

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