



April 2021 Update to the Fiscal Year (FY) 2021 Inpatient Prospective Payment System (IPPS)

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Related Change Request (CR) Number: 12062

Related CR Release Date: March 9, 2021

Effective Date: April 1, 2021

Related CR Transmittal Number: R10669CP

Implementation Date: April 5, 2021

PROVIDER TYPES AFFECTED

This MLN Matters Article is for Rural Referral Centers (RRCs), Medicare Dependent Hospitals (MDHs), MDH RRCs, Sole Community Hospital (SCH) RRCs, or Essential Access Community Hospital (EACH) RRCs submitting claims to Medicare Administrative Contractors (MACs) for services provided to Medicare beneficiaries.

PROVIDER ACTION NEEDED

This article informs you of changes that CMS is making for the April 2021 update of the Fiscal Year (FY) 2021 Inpatient Prospective Payment System (IPPS). Note that the MACs will be reprocessing certain claims as we explain in this article. Make sure your staff are aware of these changes.

BACKGROUND

Section 533(b) of the Medicare, Medicaid, and State Children's Health Insurance Program (SCHIP) Benefits Improvement and Protection Act of 2000 (BIPA) amended Section 1886(d)(5) of the Social Security Act (the Act) to add subparagraphs (K) and (L) and establish a process of identifying and ensuring adequate payment for new medical services and technologies under Medicare.

In the September 7, 2001, final rule (66 FR 46902), CMS established that cases using approved new technology would be appropriate candidates for an additional payment when:

- The technology represents an advance in medical technology that substantially improves, relative to technologies previously available, the diagnosis or treatment of Medicare beneficiaries
- The payment for such cases can be demonstrated to be inadequately paid otherwise under the Diagnosis-Related Group (DRG) system

- Data reflecting the costs of the technology would be unavailable to use to recalibrate the DRG weights

Under [42 Code of Federal Regulations \(CFR\) 412.88](#), Medicare makes an add-on payment for discharges involving approved new technologies, if the total covered costs of the discharge exceed the DRG payment for the case (including adjustments for Indirect Medical Education (IME) and DSH but excluding other payments). Medicare's Pricer software calculates the total covered costs for this purpose by applying the cost-to-charge ratio (that is used for inpatient outlier purposes) to the total covered costs of the discharge. CR 12062 updates the FY 2021 IPPS PPS Pricer to allow for up to 10 National Drug Codes to be passed to the IPPS PPS Pricer for payment consideration of New Technologies and emerging medical services.

Section 3710 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act directs the Secretary of HHS to increase the weighting factor of the assigned DRG by 20 percent for an individual diagnosed with COVID-19 discharged during the COVID-19 Public Health Emergency (PHE) period. CMS implemented the provision of Section 3710 of the CARES Act in CR 11764 (Transmittal 10058, April 124, 2020). CR 11764 established that discharges of an individual diagnosed with COVID-19 will be identified by the presence of the following ICD-10 diagnosis codes:

- B97.29 (Other Coronavirus as the cause of diseases classified elsewhere) for discharges occurring on or after January 27, 2020, and on or before March 31, 2020
- U07.1 (COVID-19) for discharges occurring on or after April 1, 2020, through the duration of the COVID-19 PHE period.

CR 12062 updates the Pricer logic related to the 20-percent increase to the DRG weight applicable to COVID-19 discharges in FYs 2020 and 2021, implemented under Section 3710 of the CARES Act. This change allows Part A MACs to update impacted cost reports with the correct Hospital Specific (HSP) rate payment for SCHs and MDHs.

CR 12062 also fixes the calculation of the DSH payment, where the payment was not applied correctly for Rural Referral Centers (RRCs), including those that are also an SCH, and MDH providers with a Core-Based Statistical Area (CBSA) location that is not Rural. The DSH payment updates are applicable for claims processed between October 8, 2020, and November 20, 2020, with discharges occurring on or after October 1, 2018, through September 30, 2020.

Upon successful implementation of the updated FY 2021 IPPS Pricer, MACs will reprocess claims meeting all the following criteria, no later than June 1, 2021.

- **For correction of the DSH payment:**
 - Discharge date between October 1, 2018, and September 30, 2020 (FYs 2019 and 2020 claims)
 - You are an RRC, MDH, MDH RRC, SCH RRC, or Essential Access Community Hospital (EACH) RRC
 - Medicare's Provider Specific File contained a non-Rural (five-digit) CBSA code in the Standard Amount Location CBSA field at the time of discharge

- Medicare processed the impacted claims between October 8, 2020, and November 20, 2020
- **For change related to the HSP rate:**
 - Discharge date is on or after January 27, 2020, and on or before March 31, 2020, and diagnosis code B97.29 is reported, OR the discharge date is on or after April 1, 2020, and diagnosis code U07.1 is reported
 - You are an MDH, MDH RRC, SCH, SCH RRC, EACH, or EACH RRC
 - The impacted claims were processed prior to the implementation date of the updated IPPS Pricer

Note: For admissions occurring on or after September 1, 2020, claims reporting Condition Code ZA may be excluded from the reprocessing criteria.

Also, CR 12062 includes an update to correct the dollar amount displayed in the PPS Outlier Threshold. We use this dollar amount to determine the first day after the Cost Outlier threshold is reached. This change impacts the reporting of the Occurrence Code 47 date and application of the beneficiary's Lifetime Reserve and/or Coinsurance Days. For Medicare purposes, a beneficiary must have regular, coinsurance, and/or lifetime reserve days available beginning on this date to allow coverage of additional daily charges for the purpose of making a cost outlier payment. The PPS Outlier Threshold update applies to claims we processed on or after January 4, 2021 and prior to the implementation of the updated IPPS Pricer, with discharges occurring on or after October 1, 2020 through September 30, 2021.

MACs will adjust claims to correct the Occurrence Code 47 date and application of Lifetime Reserve and/or Coinsurance days when you tell them that a correction is needed. The impacted claims were processed:

- On or after January 4, 2021
- Prior to the implementation of the updated IPPS Pricer
- Effective for discharges on or after October 1, 2020 through September 30, 2021

ADDITIONAL INFORMATION

The official instruction, CR 12062, issued to your MAC regarding this change is available at <https://www.cms.gov/files/document/r10669cp.pdf>.

If you have questions, your MACs may have more information. Find their website at <http://go.cms.gov/MAC-website-list>.

DOCUMENT HISTORY

Date of Change	Description
March 9, 2021	Initial article released.

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