

CMS Manual System	Department of Health & Human Services (DHHS)
Pub 100-20 One-Time Notification	Centers for Medicare & Medicaid Services (CMS)
Transmittal 2171	Date: October 26, 2018
	Change Request 10953

SUBJECT: Analysis to Implement Changes to Regulations Allowing Inpatient Prospective Payment System (IPPS)-Excluded Hospitals to Operate IPPS-Excluded Units

I. SUMMARY OF CHANGES: The purpose of this CR is to instruct contractors to conduct analysis and identification of the changes required to allow for Medicare systems to process payments to Inpatient Prospective Payment System (IPPS)-excluded units of IPPS-excluded hospitals.

EFFECTIVE DATE: April 1, 2019

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

IMPLEMENTATION DATE: April 1, 2019

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
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:

One Time Notification

Attachment - One-Time Notification

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SUBJECT: Analysis to Implement Changes to Regulations Allowing Inpatient Prospective Payment System (IPPS)-Excluded Hospitals to Operate IPPS-Excluded Units

EFFECTIVE DATE: April 1, 2019

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IMPLEMENTATION DATE: April 1, 2019

I. GENERAL INFORMATION

A. Background: The purpose of this CR is to instruct contractors to conduct analysis and identification of the changes required to allow for Medicare systems to process payments to IPPS-excluded units of IPPS-excluded hospitals.

B. Policy: In the FY 2019 IPPS/Long Term Care Hospital Prospective Payment System (LTCH PPS) final rule (83 FR 41513), CMS revised § 412.25(a)(1)(ii) to specify that the requirement that an excluded psychiatric or rehabilitation unit cannot be part of an IPPS-excluded hospital is only effective through cost reporting periods beginning on or before September 30, 2019. Effective with cost reporting periods beginning on or after October 1, 2019, an IPPS-excluded hospital is permitted to have an excluded psychiatric and/or rehabilitation unit. In addition, CMS revised § 412.25(d) to specify that an IPPS-excluded hospital may not have an IPPS-excluded unit of the same type (psychiatric or rehabilitation) as the hospital (for example, an Inpatient Rehabilitation Facility (IRF) may not have an IRF unit).

In the FY 1994 IPPS final rule (58 FR 46318), CMS codified regulations prohibiting IPPS-excluded hospitals from operating IPPS-excluded units. As explained in that rule, the policy was adopted at that time because it would have been redundant to allow an IPPS-excluded hospital to have an IPPS-excluded unit because both the hospital and the unit would have been paid under the same Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) payment system methodology and CMS was concerned about the possibility of IPPS-excluded hospitals artificially inflating their target amounts by operating IPPS-excluded units (58 FR 46318).

Given the introduction of prospective payment systems for both inpatient rehabilitation facilities and units (collectively IRFs) and psychiatric hospitals and units (collectively Inpatient Psychiatric Facilities (IPFs)), CMS indicated that it no longer believed it is redundant for an IPPS-excluded hospital to have an IPPS-excluded unit, nor is it possible for IPPS-excluded hospitals to use units to artificially inflate their target amounts, because Medicare payment for discharges from the units would not be based on reasonable cost, rather on the prospective payment system of the unit (for example, an inpatient rehabilitation unit would be paid under the IRF PPS and an inpatient psychiatric unit would be paid under the IPF PPS).

Due to this revised policy, CMS must ensure that its systems are able to both assign CMS Certification Numbers (CCNs) to IPPS-excluded units of IPPS-excluded hospitals in such a way as the number is unique and intelligent (consistent with established policy on the assignment of CCNs to hospitals) and that claims for services provided in such units be paid under the correct payment system.

II. BUSINESS REQUIREMENTS TABLE

"Shall" denotes a mandatory requirement, and "should" denotes an optional requirement.

Number	Requirement	Responsibility
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		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	
10953.1	Medicare contractors shall actively participate in up to 4 weekly conference calls set up by CMS beginning the second Monday after the CR is final at 2pm Eastern time, lasting no more than 60 minutes each.	X				X			X	
10953.2	Medicare contractors shall take minutes from their own system perspective and upload the minutes into the Post Issued tab in ECHIMP and send as an email to Emily.lipkin@cms.hhs.gov within 3 business days after the conference call.					X			X	
10953.3	Medicare contractors shall submit names and email addresses for points of contact to be included on the distribution list for the workgroup meetings. The contact information shall be posted in the ECHIMP forum or sent to Emily Lipkin at emily.lipkin@cms.hhs.gov within 5 days of receipt of final CR.	X				X			X	
10953.4	Medicare contractors shall review and be prepared to discuss the agenda on the weekly calls to assist CMS in developing the business requirements, during the calls, needed to implement changes to regulations allowing IPPS-excluded hospitals to operate IPPS-excluded units.	X				X			X	
10953.5	Medicare contractors shall perform analysis to assist in the development of business requirements for a future CR to implement the policy in full by the October 2019 effective date.	X				X			X	
10953.6	Medicare contractors shall assist in the development of suggested business requirements, during each call, for a future CR to implement the policy in full by the October 2019 effective date. Any additional information after the final call shall be uploaded into the Post Issued tab in ECHIMP and sent as an email to Emily.lipkin@cms.hhs.gov within 30 days of the final conference call or by January 1, 2019, whichever is earlier.					X			X	

III. PROVIDER EDUCATION TABLE

Number	Requirement	Responsibility
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		A/B MAC			D M E	C E D I
		A	B	H H H	M A C	
	None					

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: N/A
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Section B: All other recommendations and supporting information: N/A

V. CONTACTS

Pre-Implementation Contact(s): Emily Lipkin, emily.lipkin@cms.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: 0