CMS Manual System	**Department of Health & Human Services (DHHS)**
Pub 100-20 One-Time Notification	**Centers for Medicare & Medicaid Services (CMS)**
Transmittal 2293	**Date: May 3, 2019**
	Change Request 11173

SUBJECT: Systems Changes to Allow IPPS-Excluded Hospitals to Operate IPPS-Excluded Units

I. SUMMARY OF CHANGES: The purpose of this Change Request (CR) is to implement systems changes to allow IPPS-excluded hospitals to operate IPPS-excluded units.

EFFECTIVE DATE: October 1, 2019
**Unless otherwise specified, the effective date is the date of service.*
IMPLEMENTATION DATE: October 7, 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

Pub. 100-20	Transmittal: 2293	Date: May 3, 2019	Change Request: 11173

SUBJECT: Systems Changes to Allow IPPS-Excluded Hospitals to Operate IPPS-Excluded Units

EFFECTIVE DATE: October 1, 2019
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I. GENERAL INFORMATION

A. Background: The purpose of this CR is to instruct contractors to make the systems 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 make changes to its systems to process claims from these units. This CR provides instructions to contractors to ensure that CMS may 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. Specifically, we are creating new alpha combinations in the third and fourth digits of the CCN field to identify IPPS-excluded units of IPPS-excluded hospitals (we note that we are not creating new combinations for IPPS-excluded units in cancer hospitals because these hospitals' CCNs are in the IPPS provider range, therefore IPPS-excluded units of cancer hospitals will be identified using the same method as IPPS-excluded units in IPPS hospitals).

	Sub-provider Type	
Parent Provider	Psych	Rehab

LTCH XX-2000 through XX-2299	SA, SB, SC	TA, TB, TC
Rehab XX-3025 through XX-3099	SD	NOT APPLICABLE
Children's XX-3300 through XX-3399	SE	TE
PSYCH XX-4000 through XX-4499	NOT APPLICABLE	TF, TG, TH, TJ, TK

Example - LTCH with psych IPPS excluded unit and rehab IPPS excluded unit

	Sub-provider Type	
Parent Provider	Psych	Rehab
21-2003	21-SA03	21-TA03
21-2103	21-SB03	21-TB03
21-2203	21-SC03	21-TC03
21-2004	21-SA04	21-TA04
21-2104	21-SB04	21-TB04
21-2204	21-SC04	21-TC04

Example – Rehab with psych IPPS excluded unit

	Sub-provider Type	
Parent Provider	Psych	Rehab
21-3003	21-SD03	N/A

Example – Children's with psych IPPS excluded unit and rehab IPPS excluded unit

	Sub-provider Type	
Parent Provider	Psych	Rehab
21-3303	21-SE03	21-TE03

Example – Psych with rehab IPPS excluded unit

	Sub-provider Type	
Parent Provider	Psych	Rehab
21-4003	N/A	21-TF03
21-4103	N/A	21-TG03

21-4203 N/A 21-TH03

21-4303 N/A 21-TJ03

21-4403 N/A 21-TK03

09-4085 N/A 09-TF85

09-4185 N/A 09-TG85

09-4285 N/A 09-TH85

09-4385 N/A 09-TJ85

09-4485 N/A 09-TK85

The fourth value of A will always represent a 0

The fourth value of B will always represent a 1

The fourth value of C will always represent a 2

The fourth value of D will always represent a 0

The fourth value of E will always represent a 3

The fourth value of F will always represent a 0

The fourth value of G will always represent a 1

The fourth value of H will always represent a 2

The fourth value of J will always represent a 3

The fourth value of K will always represent a 4

II. BUSINESS REQUIREMENTS TABLE

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

Number	Requirement	Responsibility								
		A/B MAC			DME MAC	Shared-System Maintainers				Other
		A	B	HHH		FISS	MCS	VMS	CWF	
11173.1	FISS shall update its provider ranges to include the following values as valid.The two-position alpha values replace the values in the third and fourth position in the provider number. 1. LTCH XX-2000 through XX-2299: SA, SB, SC, TA, TB, TC					X				

Number	Requirement	Responsibility								
		A/B MAC			DME MAC	Shared-System Maintainers				Other
		A	B	HHH		FISS	MCS	VMS	CWF	
	2. Rehab XX-3025 through XX-3099: SD 3. Children's XX-3300 through XX-3399: SE, TE 4. PSYCH XX-4000 through XX-4499: TF, TG, TH, TJ, TK									
11173.2	FISS shall update the appropriate reason codes to accept the new valid values identified in Requirement 1.					X				
11173.3	FISS shall update as necessary its pricer logic to ensure that the new valid values will be treated as PPS and call their respective pricers.					X				
11173.4	FISS shall make any additional changes to its logic not specified above in order to accept and to process the new provider values.					X				
11173.5	CWF shall make modification to the four bundle payment edits (7119, 7120, 7121, and 7122) to read the fourth digit when the third digit is S or T on the Inpatient record.								X	
11173.5.1	CWF shall make modification to the four bundle payment edits (7119, 7120, 7121, and 7122) to allow them to be overridden.								X	
11173.5.2	Contractors shall override edits as directed by CMS.	X								
11173.6	All downstream contractors shall be aware of the new valid values identified in Requirement 1 and make systems changes necessary to accept the new valid values.	X								BCRC, CERT, FPS, HIGLAS, HITECH, IDR, IPF Pricer, IPPS Pricer, IRF Pricer, LTCH Pricer, NCH, PECOS, PS&R, QIO, RAC, RAC Data Warehouse

III. PROVIDER EDUCATION TABLE

Number	Requirement	Responsibility				
		A/B MAC			DME MAC	CEDI
		A	B	HHH		
11173.7	MLN Article: CMS will make available an MLN Matters provider education article that will be marketed through the MLN Connects weekly newsletter shortly after the CR is released. MACs shall follow IOM Pub. No. 100-09 Chapter 6, Section 50.2.4.1, instructions for distributing MLN Connects information to providers, posting the article or a direct link to the article on your website, and including the article or a direct link to the article in your bulletin or newsletter. You may supplement MLN Matters articles with localized information benefiting your provider community in billing and administering the Medicare program correctly. Subscribe to the "MLN Matters" listserv to get article release notifications, or review them in the MLN Connects weekly newsletter.	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: N/A

V. CONTACTS

Pre-Implementation Contact(s): Emily Lipkin, emily.lipkin@cms.hhs.gov (Policy Questions) , Cami DiGiacomo, cami.digiacomo@cms.hhs.gov (Systems Questions)

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