CMS Manual System	Department of Health & Human Services (DHHS)		
Pub 100-04 Medicare Claims Processing	Centers for Medicare & Medicaid Services (CMS)		
Transmittal 3449	Date: February 4, 2016		
	<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.

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:**

**Recurring Update Notification** 

# **Attachment - Recurring Update Notification**

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

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

Pricer

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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)

and Medicare-Dependent, Small Rural Hospitals (MDHs).

In addition, there are no longer Puerto Rico National and Puerto Rico-Specific Operating Rates in Table 1. Due to the changes to the operating standardized amounts, we are making conforming changes to Table 10-New Technology Add-On Payments Thresholds for Applications for FY 2017. The revised version of Table 10 (which revises Table 10 released with the FY 2016 correction notice published on October 5, 2015) can be downloaded from the CMS website at https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/FY2016-IPPS-Final-Rule-Home-Page-Items/FY2016-IPPS-Final-Rule-Tables.html.

# B. PRICER Logic Changes

Effective for discharges occurring on or after January 1, 2016, operating IPPS payments to Puerto Rico hospitals are based on 100 percent of the national standardized amount. Pricer no longer determines a blended payment rate (based on 75 percent of the national standardized amount and 25 percent of the Puerto Rico-specific standardized amount) for the inpatient operating costs for hospitals located in Puerto Rico for discharges occurring on or after January 1, 2016.

Note, the provisions of section 601 of the Consolidated Appropriations Act of 2016 only modifies the IPPS payment calculation for operating costs of inpatient hospital services of hospitals located in Puerto Rico. At this time, there are no changes to the IPPS payment calculation for capital-related costs of inpatient hospital services of Puerto Rico hospitals, and the capital IPPS payment for Puerto Rico hospitals for all discharges occurring during FY 2016 continue to be based on a blend of 25 percent of the capital IPPS Puerto Rico rate and 75 percent of the capital IPPS Federal rate.

# Transitional Payment for Certain Former Medicare-Dependent, Small Rural Hospitals (MDHs)

In the Calendar Year (CY) 2016 Outpatient PPS Final Rule (and implemented in CR 9408, Transmittal 3390, issued November 2, 2015), CMS provided for a transition period for certain former MDHs to mitigate the financial impact of losing MDH status in FY 2015 as a result of the loss of their rural status under the new OMB delineations. Under this transitional payment, for FY 2016 discharges occurring on or after January 1, 2016, through September 30, 2016, qualifying former MDHs receive an add-on payment equal to two-thirds of "the MDH add-on" (that is, two-thirds of 75 percent of the amount by which the Federal rate payment is exceeded by the hospital's hospital-specific rate payment). The Pricer logic for hospitals that CMS identified as qualifying for this add-on payment for FY 2016 has been revised to correct an inadvertent technical error in the calculation of certain payment amounts for such hospitals.

## II. BUSINESS REQUIREMENTS TABLE

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

Number	Requirement	Responsibility								
		A/B MAC DME			E Shared-System Maintainers				Other	
		A	В	ННН		FISS	MCS	VMS	CWF	
					MAC					
9523.1	Medicare Contractor shall install and pay claims with the revised FY 2016 IPPS Pricer.					X				
9523.2	Medicare Contractors shall reprocess all IPPS inpatient claims with a discharge date on or after 01/01/16 through the implementation of the revised Pricer in	X								

Number	Requirement	Responsibility			Responsibility					
'		A/B MAC		DME	Share	d-Syste:	m Main	tainers	Other	
		A	В	ННН		FISS	MCS	VMS	CWF	
					MAC					
	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	Re	spoi	nsibility	7	
			A/		DME	CEDI
					MAC	
		A	В	ННН		
9523.4	MLN Article: A provider education article related to this instruction will be available at http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNMattersArticles/ 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	Recommendations or other supporting information:
Requirement	
Number	

**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.digiacomo@cms.hhs.gov

**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: 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> <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	\$22,538
Threshold	
Federal Capital Rate	\$438.75
Puerto Rico Capital Rate	\$212.29

# **National Operating Rates**

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

Quality Da Meaningfu	Hospital Submitted Quality Data and is a Meaningful EHR User (Update = 1.7 Percent)  Hospital Did NOT Submit Quality Data and is a Meaningful EHR User (Update = 1.1 Percent)		Quality Da NOT a Me	eaningful (Update =	Hospital Did NOT Submit Quality Data and is NOT a Meaningful EHR User (Update = -0.1 Percent)		
			Wage In	dex > 1			
Labor	Nonlabor	Labor	Nonlabor	Labor	Nonlabor	Labor	Nonlabor
\$3,805.40	\$ 1662.13	\$3,782.95	\$1,652.32	\$3,760.50	\$1,642.52	\$3,738.05	\$1,632.71
	Wage Index < 1						
Labor	Nonlabor	Labor	Nonlabor	Labor	Nonlabor	Labor	Nonlabor
\$3,389.87	\$2,077.66	\$3,369.87	\$2,065.40	\$3,349.87	\$2,053.15	\$3,329.87	\$2,040.89

# <u>Table 2: FY 2016 Cost-of-Living Adjustment Factors:</u> <u>Alaska and Hawaii Hospitals</u>

Area	Cost of Living Adjustment
	Factor
Alaska:	
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
Hawaii:	
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

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

(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> <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	<ul> <li>Rates based on successful reporting of quality data.</li> <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	\$16,423
for Standard Federal Rate Discharges	
High-Cost Outlier Fixed-Loss Amount	\$22,538
for Site- Neutral Rate Discharges	