

FFY 2023 MEDICARE LTCH PROPOSED RULE (CMS-1771-P)

On April 18, the Centers for Medicare & Medicaid Services (CMS) [published](#) its proposed rule updating the federal fiscal year (FFY) 2023 Long Term Acute Care Hospital (LTCH) Prospective Payment System (PPS) effective Oct. 1, 2022 through Sept. 30, 2023. After accounting for a decrease in high cost outlier payments, CMS estimates a 0.8%, or \$25 million, increase in payments relative to FFY 2022 for LTCHs. Comments are due June 17.

LTCH PPS Standard Rate Update: CMS estimates paying for 72% of FFY 2022 LTCH discharges under the standard rate. This is a decrease from 75% of LTCH discharges in FFY 2021.

CMS proposed a LTCH PPS standard rate increase of 2.7% in FFY 2023 compared to FFY 2022. The rate reflects a 3.1% market basket update and a 0.4 percentage point productivity reduction. CMS will further reduce the annual update by 2 percentage points for LTCHs that fail to submit quality data. The proposed FFY 2023 standard rate is \$45,952.67, an increase from \$44,713.67 in FFY 2022. The proposed standard rate for LTCHs that fail to submit required quality data is \$45,057.78.

The proposed FFY 2023 high-cost outlier fixed-loss amount is \$44,182, an increase from the final FFY 2022 fixed-loss amount of \$33,015.

LTCH Site-Neutral Rate Update: CMS estimates paying for 28% of FFY 2022 LTCH discharges under the LTCH site-neutral rate. This is an increase from 25% in FFY 2021. For site-neutral rate cases, CMS proposed updating net payments by 2.3% (or \$8 million) compared to FFY 2022. Site-neutral payment rates are paid the lower of the inpatient prospective payment system (IPPS) comparable per-diem amount, including any outlier payments, or 100% of the estimated cost of the case.

CMS proposed a high-cost outlier threshold for site-neutral cases of \$43,214, an increase from \$30,988 in FFY 2022.

All site-neutral cases will receive the full site-neutral payment rate, rather than the previous 50/50 blend of LTCH PPS and site-neutral rates. The cost of the last two years of the blended-rate (cost reporting periods starting in FFYs 2018 and 2019) is offset by a 4.6% payment cut to site-neutral payments in FFYs 2018 through 2026.

Wage Index: At this time, CMS has not made proposed FFY 2023 LTCH wage index data available. Please refer to the LTCH wage index [website](#) for more information. The proposed FFY 2023 LTCH PPS labor-related share is 68.2%.

Additionally, for FFY 2023 and consecutive years CMS proposed making permanent a 5% cap on any wage index decrease from the previous year, regardless of the reason for the decline.

MS-LTC-DRGs: CMS proposed a permanent cap of 10% on relative weight decreases to Medicare Severity-Long Term Care-Diagnosis Related Group (MS-LTC-DRG) relative weights beginning FFY 2023 to alleviate fluctuations in LTCH PPS payments (not applicable to no-volume MS-LTC-DRGs).

LTCH Quality Reporting Program (QRP): There are 18 measures finalized for the FFY 2023 LTCH QRP (see Table IX.G.-01).

Requests for Information: CMS requests information on several topics, including:

- Current State of Health System Climate Change Efforts: CMS requests information about how hospitals can prepare for any destructive climate change impact on patients such as:
 - The availability of information on how climate change can affect a hospital’s patients, staff and community;
 - How hospitals measure and share performance related to their response to climate-related catastrophes; and
 - Plans to prepare for and recover from climate-related events, such as evacuation plans for patients during a climate-related emergency, etc.
- *Clostridioides Difficile* Infection Outcome Measure: CMS requests information on including the National Healthcare Safety Network (NHSN) *Clostridioides Difficile* infection outcome measure (HA-CDI) (MUC2021-098) as a digital quality measure in the LTCH QRP. Specifically, CMS requests information on:
 - Whether current LTCH infrastructure supports the use of LTCH Electronic Health Records (EHRs) as data collection and submission tools;
 - What the transition period between the current data submission process and an electronic submission process might look like;
 - Whether LTCHs would participate in pilot programs or provide voluntarily electronic submission of quality data; and
 - Whether LTCHs anticipate any issues incorporating the HA-CDI measure in the LTCH QRP, as well as possible solutions.
- Measuring Equity and Healthcare Quality Disparities: CMS requests information on strategies to assess disparities in healthcare quality outcomes. In addition, it requests feedback on the collection, evaluation and presentation of quality performance data across CMS quality programs. Finally, it requests information on facilities’ commitment to addressing health equity within their practices.

Contacts:

Laura Torres, Manager, Finance & Reimbursement
630-276-5472 | ltorres@team-iha.org

Cassie Yarbrough, Senior Director, Medicare Policy
630-276-5516 | cyarbrough@team-iha.org

Sources:

Centers for Medicare & Medicaid Services. Medicare Program: Hospital Inpatient Prospective Payment Systems for Acute Care Hospitals and the Long Term Care Hospital Prospective Payment System and Policy Changes and Fiscal Year 2023 Rates; Quality Programs and Medicare Promoting Interoperability Program Requirements for Eligible Hospitals and Critical Access Hospitals; Changes to Medicaid Provider Enrollment; and Changes to the Medicare Shared Savings Program. April 18, 2022. Available from: <https://www.federalregister.gov/public-inspection/2022-08268/medicare-program-hospital-inpatient-prospective-payment-systems-quality-programs-and-medicare>. Accessed April 26, 2022.