

SEPTEMBER 2020

## FFY 2021 MEDICARE LTCH FINAL RULE – CMS-1735-F

On Sept. 2, the Centers for Medicare & Medicaid Services (CMS) published its annual [final rule](#) updating the Long Term Acute Care Hospital (LTCH) Prospective Payment System (PPS) effective Oct. 1, 2020 through Sept. 30, 2021 (this final rule will be published in the *Federal Register* on Sept. 18). CMS estimates a 1.1%, or \$40 million, decrease in payments relative to federal fiscal year (FFY) 2020 for LTCHs. A summary of the FFY 2021 Inpatient Prospective Payment System final rule is [here](#). All page numbers in this summary refer to the desk copy of the final rule.

**LTCH PPS Final Standard Rate Update (pp. 1971-1974 and 1994-2005):** CMS finalized an LTCH PPS standard rate increase of 2.3% in FFY 2021 compared to FFY 2020. The rate reflects a 2.3% market basket update (proposed at 2.9%) and a 0.0 percentage point productivity reduction (proposed at 0.4 percentage point reduction). CMS also finalized a permanent budget neutrality adjustment factor of 0.991249, which accounts for the cost of eliminating the 25% threshold policy for FFY 2021 and subsequent years, and a FFY 2021 area wage index budget neutrality factor of 1.0016837.

The final FFY 2021 standard rate is \$43,755.34, an increase from \$42,677.64 in FFY 2020. The final standard rate for LTCHs that fail to submit required quality data is \$42,899.90.

CMS finalized a FFY 2021 high-cost outlier fixed-loss amount of \$27,195 (proposed at \$30,515), an increase from the FFY 2020 fixed-loss amount of \$26,778.

**Revised LTCH Market Basket (pp. 1472-1473 and 1479-1513):** CMS rebased and revised the LTCH market basket to reflect a 2017 base year. See Table E6 (pp. 1511-1512) for the final 2017-based LTCH market basket.

**LTCH Site-Neutral Rate Update (pp. 2005-2011):** CMS finalized a FFY 2021 high-cost outlier threshold for site-neutral cases of \$29,051 (proposed at \$30,006), an increase from \$26,552 in FFY 2020. Additionally, CMS finalized the adoption of a budget neutrality factor of 0.949 (i.e., a 5.1% reduction) to account for additional high-cost outlier payments in site neutral payment rate cases in FFY 2021.

**Wage Index (pp. 1516-1523 and 1974-1989):** CMS finalized the adoption of the CBSA delineations published in the September 2018 Office of Management and Budget (OMB) [Bulletin No. 18-04](#). In an effort to alleviate significant losses in revenue, CMS finalized a transition period, adopting these new CBSA assignments effective Oct. 1, 2020 along with a 5% cap on the reduction of a provider's wage index for FFY 2021 compared to its wage index for FFY 2020. The Illinois counties impacted by this Bulletin are in IHA's FFY 2021 LTCH proposed rule [summary](#).

CMS finalized the use of the FFY 2021 pre-floor, pre-reclassified inpatient prospective payment system wage index for LTCHs:

CBSA	Wage Index	Geographic Adjustment Factor	Reclassified Wage Index	Reclassified Geographic Adjustment Factor	State Rural Floor	FFY 2021 Average Hourly Wage
Bloomington	0.9008	0.9310	0.8861	0.9205		41.0126
Cape Girardeau	0.8289	0.8794				35.6856
Carbondale	0.8289	0.8794				37.2421
Champaign-Urbana	0.8825	0.9180	0.8825	0.9180		39.9297
Chicago-Naperville-Evanston	1.0350	1.0238	1.0192	1.0131		47.1234
Danville	0.9227	0.9464	0.9227	0.9464		41.4949
Decatur	0.8478	0.8931				38.5964
Elgin	1.0479	1.0326	1.0209	1.0143		47.7122
Kankakee	0.9019	0.9317	0.8737	0.9117		41.0611
Lake County	1.0174	1.0119				46.3154
Peoria	0.8621	0.9034				39.2517
Rock Island	0.8525	0.8965	0.8525	0.8965		38.5997
Rockford	0.9662	0.9767	0.9557	0.9694		43.9883
St. Louis	0.9153	0.9412	0.9153	0.9412		41.6710
Springfield	0.9111	0.9382	0.8915	0.9244		41.4807
Rural	0.8358	0.8844	0.8358	0.8844	0.8289	37.7397

The finalized labor-related share is 68.1% (proposed at 68.0%).

**LTCH Quality Reporting Program (QRP) (pp. 1649-1651):** There were no proposals or updates to the LTCH QRP. The 17 quality measures currently adopted for the FFY 2022 LTCH QRP are on p. 1650. LTCHs must also report additional standardized patient assessment data for the FFY 2022 LTCH QRP (see the FFY 2020 IPPS/LTCH [final rule](#), pp. 42536 – 42590). LTCHs that fail to submit QRP data will experience a 2.0 percentage point reduction in the annual update rate.

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**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 Final Policy Changes and Fiscal Year 2021 Rates; Quality Reporting and Medicare and Medicaid Promoting Interoperability Programs Requirements for Eligible Hospitals and Critical Access Hospitals. September 2, 2020. Available from: <https://www.federalregister.gov/d/2020-196387>. Accessed September 8, 2020.

Office of Management and Budget. Revised Delineations of Metropolitan Statistical Areas, Micropolitan Statistical Areas, and Combined Statistical Areas, and Guidance on Uses of the Delineations of These Areas. OMB Bulletin No. 18-04. September 14, 2018. Available from: <https://www.whitehouse.gov/wp-content/uploads/2018/09/Bulletin-18-04.pdf>. Accessed May 1, 2020.

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