

## CMS Proposes IPPS Updates for 2020

On April 23, 2019, the *Centers for Medicare and Medicaid Services* (CMS) released their proposed rules for payment and policy updates for the Medicare *Inpatient Prospective Payment System* (IPPS) and the *Long-Term Care Hospital (LTCH) Prospective Payment System* (PPS) for *fiscal year* (FY) 2020.<sup>1</sup> Other than the increase in IPPS and LTCH payments, the most notable portion of the proposed rule is the changes proposed by CMS to Medicare’s reimbursement of rural hospitals.<sup>2</sup> This *Health Capital Topics* article discusses the various provisions set forth in the CMS proposed rule.

The proposed rule includes an estimated 3.7% total increase in operating payments to general acute care hospitals that successfully participate in the *Hospital Inpatient Quality Reporting (IQR) Program* and *electronic health record (EHR) Meaningful Use* program,<sup>3</sup> increasing overall Medicare spending by approximately \$4.7 billion. Additionally, LTCH PPS payments are projected to increase by 0.9%.<sup>4</sup> Both of these projected increases are greater than last year’s projections, in which hospital payments were estimated to increase by 1.75%, and LTCH PPS payments were projected to decrease by approximately 0.1%.<sup>5</sup> In addition, payments for uncompensated care to *disproportionate share hospitals* (DSH) are expected to increase by \$216 million from FY 2019 amounts, totaling \$8.5 billion for FY 2020.<sup>6</sup>

Regarding payment for rural hospitals, CMS solicited comments during the 2018 rulemaking process related to the Medicare wage index, which adjusts a hospital’s overall reimbursement depending on the hospital’s location (as hospitals in different areas will have differing labor costs).<sup>7</sup> Commentators noted that the disparities between those (typically urban) hospitals with a higher wage index (that are thus receiving higher reimbursement), and those with (typically rural) hospital with a lower wage index were exacerbating labor issues in rural areas, as those hospitals are consequently unable to pay their staff higher wages because they are being reimbursed relatively less. In turn, this discrepancy self-perpetuates, exacerbating the gap between high-wage hospitals and low-wage hospitals. To address this discrepancy, CMS proposes increasing the wage index of low-wage index hospitals, i.e., “with a wage index value below the 25<sup>th</sup> percentile,” by half of the difference between the hospital’s current wage index value, and the 25<sup>th</sup> percentile wage index value.<sup>8</sup> The proposed

program would commence in 2020 and be in effect for a minimum of four years, so that employee wages have an opportunity to rise in response to the increased wage index value received.<sup>9</sup> In order to keep this change budget neutral, CMS proposes decreasing the wage index of high-wage index hospitals, i.e., “with a wage index value above the 75<sup>th</sup> percentile,” by the same formula.<sup>10</sup>

In addition, CMS proposes instituting both a floor and a decrease cap to the hospital wage index. The “*rural floor*” will provide that “*the IPPS wage index value for an urban hospital cannot be less than the wage index value applicable to hospitals located in rural areas in the state.*”<sup>11</sup> Further, the decrease of any hospital’s wage index between 2019 and 2020 will be capped at 5%.<sup>12</sup>

CMS Administrator, Seema Verma, asserts that:

*“Rural Americans face many obstacles as the result of our fragmented healthcare system, including living in communities with disproportionately higher poverty rates, more chronic conditions, and more uninsured or underinsured individuals. The Trump administration is committed to addressing inequities in health care, which is why we are proposing historic Medicare payment changes that will help bring stability to rural hospitals and improve patients’ access to quality healthcare.”*<sup>13</sup>

The CMS proposed rule includes a variety of other suggested actions, including, but not limited to, the following:

- (1) Increasing the amount of uncompensated care payments distributed to *disproportionate share hospitals* (DSHs) by \$216 million;
- (2) Revisions related to new technology add-on payments, including an increase in payment rates and streamlining access to those payments; and,
- (3) The introduction of some new policies related to the *Promoting Interoperability Programs* (f/k/a *Medicare and Medicaid EHR Incentive Programs*).<sup>14</sup>

The changes proposed by CMS would affect approximately 3,300 acute care hospitals and approximately 390 LTCHs.<sup>15</sup> According to CMS, the goal of the IPPS proposed rule is to achieve a “*singular*

objective: transforming the healthcare delivery system through competition and innovation to provide patients with better value and results.”<sup>16</sup> Specific to rural hospitals, the agency asserts that the proposals outlined above “would represent historic changes to the way rural

hospitals are paid...and [would] help guarantee [that] people living in rural America have access to high quality, affordable healthcare.”<sup>17</sup> Comments from industry stakeholders regarding the proposed rule are due by June 24, 2019.<sup>18</sup>

1 “Medicare Program; Hospital Inpatient Prospective Payment Systems for Acute Care Hospitals and the Long-Term Care Hospital Prospective Payment System and Proposed Policy Changes and Fiscal Year 2020 Rates; Proposed Quality Reporting Requirements for Specific Providers; Medicare and Medicaid Promoting Interoperability Programs Proposed Requirements for Eligible Hospitals and Critical Access Hospitals” Centers for Medicare & Medicaid Services, Press Release, Federal Register Vol. 84, No. 86 (May 3, 2019), p. 19158.

2 “Fiscal Year (FY) 2020 Medicare Hospital Inpatient Prospective Payment System (IPPS) and Long Term Acute Care Hospital (LTCH) Prospective Payment System Proposed Rule and Request for Information” Centers for Medicare & Medicaid Services, Press Release, April 23, 2019, <https://www.cms.gov/newsroom/fact-sheets/fiscal-year-fy-2020-medicare-hospital-inpatient-prospective-payment-system-ipps-and-long-term-acute> (Accessed 5/21/18).

3 CMS, Vol. 84, No. 86 (May 3, 2019), p. 19586; “CMS Releases FY 2020 IPPS Proposed Rule” Association of American Medical Colleges, April 26, 2019, <https://www.aamc.org/advocacy/washhigh/497280/042619cmsreleasesfy2020ippsproposedrule.html> (Accessed 5/21/19); CMS, April 23, 2019.

4 CMS, April 23, 2019.

5 “Medicare Program; Hospital Inpatient Prospective Payment Systems for Acute Care Hospitals and the Long-Term Care Hospital Prospective Payment System and Proposed Policy Changes and Fiscal Year 2019 Rates; Proposed Quality Reporting Requirements for Specific Providers; Proposed Medicare and Medicaid Electronic Health Record (EHR) Incentive Programs (Promoting Interoperability Programs) Requirements for Eligible Hospitals, Critical Access Hospitals,

and Eligible Professionals; Medicare Cost Reporting Requirements; and Physician Certification and Recertification of Claims” Federal Register Vol. 83, No. 88 (May 7, 2018) p. 20391, 20629; “Fiscal Year (FY) 2019 Medicare Hospital Inpatient Prospective Payment System (IPPS) and Long Term Acute Care Hospital (LTCH) Prospective Payment System Proposed Rule, and Request for Information” Centers for Medicare & Medicaid Services, Press Release, April 24, 2018, <https://www.cms.gov/Newsroom/MediaReleaseDatabase/Fact-sheets/2018-Fact-sheets-items/2018-04-24.html> (Accessed 6/8/18).

6 CMS, April 23, 2019.

7 *Ibid*; “Wage Index” Centers for Medicare & Medicaid Services, April 24, 2019, <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/wageindex.html> (Accessed 5/21/19).

8 “CMS Advances Agenda to Re-think Rural Health and Unleash Medical Innovation” Centers for Medicare & Medicaid Services, Press Release, April 23, 2019, <https://www.cms.gov/newsroom/press-releases/cms-advances-agenda-re-think-rural-health-and-unleash-medical-innovation> (Accessed 5/21/18); CMS, April 23, 2019.

9 *Ibid*.

10 *Ibid*.

11 *Ibid*.

12 *Ibid*.

13 *Ibid*.

14 CMS, April 23, 2019.

15 *Ibid*.

16 *Ibid*.

17 *Ibid*.

18 *Ibid*.



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**Todd A. Zigrang**, MBA, MHA, CVA, ASA, FACHE, is the President of **HEALTH CAPITAL CONSULTANTS (HCC)**, where he focuses on the areas of valuation and financial analysis for hospitals, physician practices, and other healthcare enterprises. Mr. Zigrang has over 20 years of experience providing valuation, financial, transaction and strategic advisory services nationwide in over 1,000 transactions and joint ventures. Mr. Zigrang is also considered an expert in the field of healthcare compensation for physicians, executives and other professionals.

Mr. Zigrang is the co-author of "[The Adviser's Guide to Healthcare – 2nd Edition](#)" [2015 – AICPA], numerous chapters in legal treatises and anthologies, and peer-reviewed and industry articles such as: *The Accountant's Business Manual* (AICPA); *Valuing Professional Practices and Licenses* (Aspen Publishers); *Valuation Strategies*; *Business Appraisal Practice*; and, *NACVA QuickRead*. In addition to his contributions as an author, Mr. Zigrang has served as faculty before professional and trade associations such as the American Society of Appraisers (ASA); American Health Lawyers Associate (AHLA); the American Bar Association (ABA); the National Association of Certified Valuators and Analysts (NACVA); Physician Hospitals of America (PHA); the Institute of Business Appraisers (IBA); the Healthcare Financial Management Association (HFMA); and, the CPA Leadership Institute.

Mr. Zigrang holds a Master of Science in Health Administration (MHA) and a Master of Business Administration (MBA) from the University of Missouri at Columbia. He is a Fellow of the American College of Healthcare Executives (FACHE) and holds the Accredited Senior Appraiser (ASA) designation from the American Society of Appraisers, where he has served as President of the St. Louis Chapter, and is current Chair of the ASA Healthcare Special Interest Group (HSIG).



**John R. Chwarzinski**, MSF, MAE, is Senior Vice President of **HEALTH CAPITAL CONSULTANTS (HCC)**. Mr. Chwarzinski's areas of expertise include advanced statistical analysis, econometric modeling, as well as, economic and financial analysis. Mr. Chwarzinski is the co-author of peer-reviewed and industry articles published in *Business Valuation Review* and *NACVA QuickRead*, and he has spoken before the Virginia Medical Group

Management Association (VMGMA) and the Midwest Accountable Care Organization Expo. Mr. Chwarzinski holds a Master's Degree in Economics from the University of Missouri – St. Louis, as well as, a Master's Degree in Finance from the John M. Olin School of Business at Washington University in St. Louis. He is a member of the St. Louis Chapter of the American Society of Appraisers, as well as a candidate for the Accredited Senior Appraiser designation from the American Society of Appraisers.



**Jessica L. Bailey-Wheaton**, Esq., is Vice President and General Counsel of **HEALTH CAPITAL CONSULTANTS (HCC)**, where she conducts project management and consulting services related to the impact of both federal and state regulations on healthcare exempt organization transactions and provides research services necessary to support certified opinions of value related to the Fair Market Value and Commercial Reasonableness of

transactions related to healthcare enterprises, assets, and services. Ms. Bailey-Wheaton is a member of the Missouri and Illinois Bars and holds a J.D., with a concentration in Health Law, from Saint Louis University School of Law, where she served as Fall Managing Editor for the *Journal of Health Law & Policy*.



**Daniel J. Chen**, MSF, CVA, is a Senior Financial Analyst at **HEALTH CAPITAL CONSULTANTS (HCC)**, where he develops fair market value and commercial reasonableness opinions related to healthcare enterprises, assets, and services. In addition, Mr. Chen prepares, reviews and analyzes forecasted and pro forma financial statements to determine the most probable future net economic benefit related to healthcare enterprises,

assets, and services, and applies utilization demand and reimbursement trends to project professional medical revenue streams, as well as ancillary services and technical component (ASTC) revenue streams. Mr. Chen has a Master of Science in Finance from Washington University St. Louis.