

IPPS and LTCH PPS Proposed for 2022

On April 27, 2021, the *Centers for Medicare & Medicaid Services* (CMS) released its 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) 2022.¹ Other than the changes in IPPS and LTCH payment rates, the most notable portion of the proposed rule is the health equity incentives proposed by CMS.² Additionally, CMS has proposed to use data from FY 2019 in the 2022 proposed rule because utilization and spending data from FY 2020 may be skewed due to the COVID-19 public health emergency (PHE).³ This *Health Capital Topics* article discusses the various provisions outlined in CMS's proposed rule.

IPPS Payment Rate Updates

The proposed rule includes an estimated 2.8% total increase in operating payments for general acute care hospitals paid under IPPS if the hospital participates in the *Hospital Inpatient Quality Reporting (IQR) Program* and is a meaningful *electronic health record (EHR)* user.⁴ The payment increase is lower than the FY 2021 increase of 3.1%.⁵ This percentage increase translates to a growth in Medicare spending on inpatient hospital services of approximately \$3.4 billion in 2022, before adjusting for Medicare disproportionate share hospital (DSH) payments and uncompensated Medicare payments.⁶ CMS predicts that Medicare DSH and uncompensated care payments by approximately \$0.9 billion, resulting in an overall hospital payment increase of \$2.5 billion.⁷ Other payment adjustments hospitals may be subject to under the proposed IPPS rule include:

- (1) "Payment reductions for excess readmissions under the Hospital Readmissions Reduction Program;"
- (2) "Payment reduction (1 percent) for the worst performing quartile under the Hospital Acquired Condition Reduction Program;" and,
- (3) "Upward and downward adjustments under the Hospital Value-Based Purchasing Program."⁸

LTCH PPS Payment Rate Updates

For 2022, LTCH PPS payments will increase overall by 1.4%, or \$52 million, a reversal of last year's decrease of 0.9%.⁹ Further, for FY 2022, LTCH discharges paid the

standard payment rate are expected to increase by 1.2%, while LTCH discharges paid the site neutral payment are expected to increase by 3%, for FY 2022.¹⁰ LTCH discharges can be paid in one of two ways:

- (1) A standard rate – In order to be paid this rate upon discharge, the patient must have been directly admitted to the LTCH from an IPPS hospital after (a) spending at least three days in an intensive or coronary care unit or (b) admitted to the LTCH after having been on a ventilator for at least 96 hours, and must have not been assigned to psychiatric or rehabilitation services upon discharge; or,
- (2) A site neutral rate – For all other discharges that do not meet the above criteria.¹¹

For 2022, discharges paid the site neutral payment will comprise 25% of all LTCH cases and 10% of all LTCH PPS payments, the same composition as in 2021.¹²

New Technology Add-On Payments

In the FY 2021 IPPS Proposed Rule, CMS considered 24 applications for the new technology add-on payments (NTAP) program and approved 13 technologies in the final rule.¹³ For FY 2022, CMS proposed to extend NTAP for 14 technologies that would otherwise be discontinued.¹⁴ NTAP is additional reimbursement that provides "add-on" payments (up to 65%) to hospitals for the use of technology that may not be included in the diagnosis-related group bundled payment due to the novelty of that technology.¹⁵ CMS's proposal to extend NTAP for those 14 technologies emanates from concerns related to COVID-19, similar to IPPS data (discussed above).¹⁶ Further, CMS proposed establishing the New COVID-19 Treatments Add-On Payment (NCTAP) to incentivize hospitals to provide new COVID-19 treatments and minimize any payment disruption for inpatient discharges through the end of the COVID-19 PHE.¹⁷

Hospital Inpatient Quality Reporting (IQR) Program

The Hospital IQR Program is a quality reporting program that may reduce payments to hospitals that fail to meet quality reporting requirements.¹⁸ CMS is looking to adopt five new measures, remove five measures, make changes to EHR certification requirements, and adopt outcome measures for COVID-19 mortality and elective total hip and/or knee arthroplasty.¹⁹ The proposed

measures to adopt include: Maternal Morbidity Structural measure; a COVID-19 Vaccination Coverage Among Health Care Personnel measure; a Hybrid Hospital-Wide All-Cause Risk Standardized Mortality measure; and two medication-related adverse event electronic clinical quality measures (eCQMs).²⁰ Additionally, CMS is looking to remove the following five measures: the Death Among Surgical Inpatients with Serious Treatable Conditions measure; the Exclusive Breast Milk Feeding measure; the Admit Decision Time to Emergency Department Departure Time for Admitted Patients measure; and two stroke-related eCQMs.²¹

Additional Proposals – Health Equity

CMS also made a notable proposal seeking stakeholder feedback to closing gaps in health equity related to graduate medical education (GME) and quality programs. First, CMS is looking to distribute 1,000 new Medicare-funded medical residency positions to train physicians under the 2021 *Consolidated Appropriations Act*, a trillion dollar spending bill that seeks to provide economic relief from the COVID-19 PHE.²² Beginning in FY 2023, 200 residency slots per year will be added, prioritizing those hospitals that serve populations and demographics with the greatest need.²³ CMS’s additional funding for new residency positions added between FY 2023 and FY 2031 is estimated to total \$1.8 billion.²⁴ Second, CMS is seeking to close the health equity gap in quality programs in parallel with President Joe Biden’s Executive Order (EO) on Advancing Racial Equity and

Support for Underserved Communities.²⁵ President Biden’s EO revoked two of the Trump Administration’s EOs that banned diversity and inclusion training for federal employees, and pledged that equal opportunity and diversity would be a primary focus in his next four years.²⁶ CMS issued a request for information within the proposed rule to stakeholders on ideas to address inequities in health outcomes throughout the U.S. CMS is also exploring collecting a minimum set of demographic data elements from hospitals at the time of patient admission and using electronic data nationwide to move toward developing quality measures.²⁷

Conclusion

The American Hospital Association (AHA) quickly expressed their enthusiasm for the health equity programs proposed by CMS, as well as the proposed adjustments to help hospitals financially through the end of the COVID-19 PHE.²⁸ AHA’s Executive Vice President stated that many are applauding the CMS for helping hospitals and health systems after these facilities rose to the challenge of treating COVID-19 patients and saving lives.²⁹ The Association of American Medical Colleges (AAMC) also expressed support for the GME health equity program, but recommended that no hospital should receive more than one full-time equivalent resident per year.³⁰ Comments from industry stakeholders on the IPPS and LTCH PPS Proposed Rule are due to CMS by June 28, 2021.³¹

1 “Fiscal Year (FY) 2022 Medicare Hospital Inpatient Prospective Payment System (IPPS) and Long Term Acute Care Hospital (LTCH) Rates Proposed Rule (CMS-1752-P)” Centers for Medicare & Medicaid Services, April 27, 2021, <https://www.cms.gov/newsroom/fact-shescaal-year-fy-2022-medicare-hospital-inpatient-prospective-payment-system-ipps-and-long-term-care> (Accessed 5/6/21).

2 *Ibid.*

3 *Ibid.*

4 *Ibid.*

5 “Fiscal Year (FY) 2021 Medicare Hospital Inpatient Prospective Payment System (IPPS) and Long Term Acute Care Hospital (LTCH) Proposed Rule (CMS-1735-P)” Centers for Medicare & Medicaid Services, May 11, 2020 <https://www.cms.gov/newsroom/fact-sheets/fiscal-year-fy-2021-medicare-hospital-inpatient-prospective-payment-system-ipps-and-long-term-care> (Accessed 5/7/21).

6 Centers for Medicare & Medicaid Services, April 27, 2021.

7 *Ibid.*

8 “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 2022 Rates; Quality Programs and Medicare Promoting Interoperability Program Requirements for Eligible Hospitals and Critical Access Hospitals; Proposed Changes to Medicaid Provider Enrollment; and Proposed Changes to the Medicare Shared Savings Program” May 10, 2021, Federal Register Vol. 86, No. 88, <https://www.govinfo.gov/content/pkg/FR-2021-05-10/pdf/2021-08888.pdf> (Accessed 5/13/21), p. 25075-25076

9 Centers for Medicare & Medicaid Services, May 11, 2020.

10 Centers for Medicare & Medicaid Services, April 27, 2021.

11 “Long Term Care Hospitals Payment Systems” Medicare Payment Advisory Commission, October 2018, http://www.medpac.gov/docs/default-source/payment-basics/medpac_payment_basics_18_ltch_final_v2_sec.pdf?sfvrsn=0 (Accessed 5/14/21).

12 Centers for Medicare & Medicaid Services, April 27, 2021.

13 Federal Register Vol. 86, No. 88, p. 25074.

14 Centers for Medicare & Medicaid Services, April 27, 2021.

15 Federal Register Vol. 86, No. 88, p. 25074.

16 *Ibid.*

17 *Ibid.*

18 Centers for Medicare & Medicaid Services, April 27, 2021.

19 *Ibid.*

20 Federal Register Vol. 86, No. 88, p. 25562.

21 *Ibid.*

22 *Ibid.*, p. 25077, 25083.

23 *Ibid.*, p. 25083.

24 Centers for Medicare & Medicaid Services, April 27, 2021.

25 Federal Register Vol. 86, No. 88, p. 25557.

26 “Executive Order On Advancing Racial Equity and Support for Underserved Communities Through the Federal Government” Presidential Actions, January 20, 2021, <https://www.whitehouse.gov/briefing-room/presidential-actions/2021/01/20/executive-order-advancing-racial-equity-and-support-for-underserved-communities-through-the-federal-government/> (Accessed 5/13/21).

27 Centers for Medicare & Medicaid Services, April 27, 2021.

28 “CMS issues hospital IPPS proposed rule for FY 2022” American Hospital Association, April 27, 2021, <https://www.aha.org/news/news/2021-04-27-cms-issues-hospital-ipps-proposed-rule-fy-2022#:~:text=The%20Centers%20for%20Medicare%20%26%20Medicaid,and%20submit%20quality%20measure%20data,> (Accessed 5/14/21).

29 *Ibid.*

30 “AAMC Proposes Graduate Medical Education Changes in FY 2022 IPPS Proposed Rule” Association of American Medical Colleges, April 30, 2021, <https://www.aamc.org/advocacy-policy/washington-highlights/cms-proposes-graduate-medical-education-changes-fy-2022-ipps-proposed-rule> (Accessed 5/14/21).

31 “FY 2022 IPPS Proposed Rule Homepage” CMS, April 27th, 2021, <https://www.cms.gov/medicare/acute-inpatient-pps/fy-2022-ipps-proposed-rule-home-page> (Accessed 5/7/21).



(800)FYI - VALU

*Providing Solutions
in the Era of
Healthcare Reform*

Founded in 1993, HCC is a nationally recognized healthcare economic financial consulting firm

- [HCC Home](#)
- [Firm Profile](#)
- [HCC Services](#)
- [HCC Experts](#)
- [Clients & Projects](#)
- [HCC News](#)
- [Upcoming Events](#)
- [Contact Us](#)
- [Email Us](#)

HCC Services

- [Valuation Consulting](#)
- [Commercial Reasonableness Opinions](#)
- [Commercial Payor Reimbursement Benchmarking](#)
- [Litigation Support & Expert Witness](#)
- [Financial Feasibility Analysis & Modeling](#)
- [Intermediary Services](#)
- [Certificate of Need](#)
- [ACO Value Metrics & Capital Formation](#)
- [Strategic Consulting](#)
- [Industry Research Services](#)



[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 25 years of experience providing valuation, financial, transaction and strategic advisory services nationwide in over 2,000 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).



[Jessica L. Bailey-Wheaton](#), Esq., is Senior Vice President and General Counsel of 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.

She serves on the editorial boards of NACVA's The Value Examiner and of the American Health Lawyers Association's (AHLA's) Journal of Health & Life Sciences Law. Additionally, she is the current Chair of the American Bar Association's (ABA) Young Lawyers Division (YLD) Health Law Committee and the YLD Liaison for the ABA Health Law Section's Membership Committee. She has previously presented before the ABA, NACVA, and the National Society of Certified Healthcare Business Consultants (NSCHBC).

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, focuses on developing Fair Market Value and Commercial Reasonableness opinions related to healthcare enterprises, assets, and services. In addition he 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 and ancillary services and technical component (ASTC) revenue streams. Mr. Chen holds the Certified Valuation Analyst (CVA) designation from NACVA.



[Janvi R. Shah](#), MSF, serves as Senior Financial Analyst of HCC. Mrs. Shah holds a M.S. in Finance from Washington University Saint Louis. She develops fair market value and commercial reasonableness opinions related to healthcare enterprises, assets, and services. In addition he 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 and ancillary services and technical component (ASTC) revenue streams.