

## IPPS and LTCH PPS Proposed for 2023

On April 18, 2022, the Centers for Medicare & Medicaid Services (CMS) released its proposed rules for payment and policy updates to the *Medicare Inpatient Prospective Payment System* (IPPS) and the *Long-Term Care Hospital (LTCH) Prospective Payment System* (PPS) for fiscal year (FY) 2023.<sup>1</sup> This Health Capital Topics article discusses the various provisions outlined in CMS's proposed rule.

### *IPPS Payment Rate Updates*

For 2023, CMS proposes an estimated 3.2% total increase in IPPS payments for general acute care hospitals that participate in the *Hospital Inpatient Quality Reporting (IQR) Program* and are meaningful users of electronic health records (EHRs).<sup>2</sup> This payment increase is higher than the FY 2022 increase of 2.5%<sup>3</sup> and translates to a growth in Medicare spending on inpatient hospital services of approximately \$1.6 billion in 2023, before adjusting for Medicare *disproportionate share hospital* (DSH) payments and uncompensated Medicare payments.<sup>4</sup> CMS predicts that Medicare DSH and uncompensated care payments will decrease by approximately \$300 million, resulting in an overall hospital payment increase of \$1.1 billion.<sup>5</sup>

Other changes to the IPPS for 2023, as a result of the COVID-19 pandemic, include:

- (1) A return to using the most recent data for price-setting (FY 2021 for claims and FY 2020 for cost reports), with modifications to account for the COVID-19 pandemic;
- (2) Discounting value-based purchasing measures in the Hospital-Acquired Condition Reduction Program;
- (3) Establishing new policies to better address any future epidemics or pandemics by requiring the continued reporting of COVID-19, seasonal flu, and other illnesses by hospitals; and
- (4) Putting the Hospital Readmissions Reduction Program, adapted in 2020, on hold until 2024.<sup>6</sup>

### *LTCH PPS Payment Rate Updates*

For 2023, CMS proposes increasing overall LTCH PPS payments by approximately \$25 million, only half of FY 2022's increase of \$52 million.<sup>7</sup> Further, for FY 2023, 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%.<sup>8</sup> 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) having been admitted to the LTCH after having been on a ventilator for at least 96 hours, and must not have 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.<sup>9</sup>

### *New Technology Add-On Payments (NTAP)*

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* (DRG) bundled payment due to the novelty of that technology. For FY 2021, CMS proposed 24 applications for the NTAP program and approved 13 technologies in the final rule.<sup>10</sup> For FY 2022, CMS proposed extending NTAP for 14 technologies that would otherwise be discontinued.<sup>11,12</sup> For FY 2023, CMS proposes extending add-on payments for 15 technologies.<sup>13</sup> Further, CMS approved 13 alternative pathway applications (out of the 19 received) for NTAP in FY 2023.<sup>14</sup>

### *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.<sup>15</sup> CMS is looking to adopt 10 new measures for adoption, which are in line with the Biden Administration's commitment to health equity and include:

- (1) Proposed hospital commitment to health equity measure beginning with the CY 2023 reporting period/FY 2025 payment determination and for subsequent years;
- (2) Proposed adoption of two social drivers of health measures beginning with voluntary reporting in CY 2023 and mandatory reporting beginning with the CY 2024 reporting period/FY 2026 payment determination and for subsequent years;
- (3) Screen positive rate for social drivers of health measure, beginning with voluntary reporting in

the CY 2023 reporting period and mandatory reporting beginning with the CY 2024 reporting period/FY 2026 payment determination;

- (4) Proposed cesarean birth electronic clinic quality measure (eCQM), beginning with voluntary reporting in the CY 2023 reporting period/FY 2025 payment determination, and mandatory reporting beginning with the CY 2024 reporting period/FY 2026 payment determination and for subsequent years;
- (5) Proposed severe obstetric complications eCQM beginning with the CY 2023 voluntary reporting period/FY 2025 payment determination and mandatory reporting beginning with the CY 2024 reporting period/FY 2026 payment determination and for subsequent years;
- (6) Proposed hospital-harm—opioid-related adverse events eCQM beginning with the CY 2024 reporting period/FY 2026 payment determination and for subsequent years;
- (7) Proposed global malnutrition composite score eCQM beginning with the CY 2024 reporting period/FY 2026 payment determination and for subsequent years;
- (8) Proposed hospital-level, risk standardized patient-reported outcomes following elective *primary total hip arthroplasty* (THA) and/or *total knee*

*arthroplasty* (TKA), beginning with two voluntary reporting periods in CYs 2025 and 2026, followed by mandatory reporting for eligible elective procedures occurring July 1, 2025 through June 30, 2026, impacting the FY 2028 payment determination and for subsequent years;

- (9) Proposed Medicare spending per beneficiary (MSPB) hospital measure beginning with the FY 2024 payment determination; and
- (10) Proposed hospital-level risk-standardized complication rate (RSCR) following elective primary THA and/or TKA measure beginning with the FY 2024 payment determination.<sup>16</sup>

### Conclusion

The American Hospital Association (AHA) immediately expressed concern regarding CMS’s proposed payment update of only 3.2%.<sup>17</sup> The trade organization also highlighted the fact that hospitals will see a net decrease in payments from CMS through 2023 as a result of cuts to other payment structures, primarily DSHs.<sup>18</sup> AHA did, however, acknowledge CMS’s recognition of COVID-19-related challenges still facing hospitals, especially pertaining to quality and value.<sup>19</sup> Formal comments from industry stakeholders on the IPPS and LTCH PPS Proposed Rule are due to CMS by June 17, 2022.<sup>20</sup> Once approved, the IPPS FY 23 update will go into effect on October 1, 2022.

1 “FY 2023 Hospital Inpatient Prospective Payment System (IPPS) and Long Term Care Hospitals (LTCH PPS) Proposed Rule - CMS-1771-P” Centers for Medicare and Medicaid Services, April 18, 2022, <https://www.cms.gov/newsroom/fact-sheets/fy-2023-hospital-inpatient-prospective-payment-system-ipp-and-long-term-care-hospitals-ltch-pps> (Accessed 5/3/22).

2 *Ibid.*

3 “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 2022 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” Federal Register, Vol. 86, No. 154 (August 13, 2021), p. 44790.

4 Centers for Medicare and Medicaid Services, April 18, 2022.

5 *Ibid.*

6 *Ibid.*; “CMS issues hospital IPPS proposed rule for FY 2023” American Hospital Association, April 18, 2022, <https://www.aha.org/news/headline/2022-04-18-cms-issues-hospital-ipp-and-long-term-care-hospitals-ltch-pps> (Accessed 5/3/22).

7 Centers for Medicare and Medicaid Services, April 18, 2022.

8 *Ibid.*

9 “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](http://www.medpac.gov/docs/default-source/payment-basics/medpac_payment_basics_18_ltch_final_v2_sec.pdf?sfvrsn=0) (Accessed 5/3/22).

10 Federal Register, Vol. 86, No. 88 (May 10, 2021), p. 25074.

11 “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-sheets/fiscal-year-fy-2022-medicare-hospital-inpatient-prospective-payment-system-ipp-and-long-term-care> (Accessed 8/3/21).

12 Federal Register, Vol. 86, No. 88 (May 10, 2021), p. 25074.

13 Federal Register, Vol. 87, No. 90 (May 10, 2022), p. 28712.

14 *Ibid.*, p. 28713

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

16 Centers for Medicare and Medicaid Services, April 18, 2022.

17 “CMS issues hospital IPPS proposed rule for FY 2023” American Hospital Association, April 18, 2022, <https://www.aha.org/news/headline/2022-04-18-cms-issues-hospital-ipp-and-long-term-care-hospitals-ltch-pps> (Accessed 5/3/22).

18 *Ibid.*

19 “AHA Statement on FY 2023 Proposed IPPS Rule” American Hospital Association, April 18, 2022, <https://www.aha.org/press-releases/2022-04-18-aha-statement-fy-2023-proposed-ipp-and-long-term-care-hospitals-ltch-pps> (Accessed 5/3/22).



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