HEALTH CAPITAL Topics
Volume 14
Issue 8
August 2021
Jessica L. Bailey-Wheaton, Esq., Editor
Todd A. Zigrang MBA, MHA, CVA, ASA, FACHE, Publisher
©

CMS Releases 2022 IPPS Final Rule

On August 2, 2021, the Centers for Medicare & Medicaid Services (CMS) released its finalized 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] Notably, CMS determined in their final rule that it would be using FY 2019 data to determine inpatient hospital utilization for FY 2022 due to aberrations in the FY 2020 data stemming from the COVID-19 public health emergency (PHE).[2] The final rule authorized Medicare inpatient reimbursement increases for 2022, extended reimbursement for COVID-19 diagnostics and treatment, moved forward with improvements to quality measurement and data evaluations, but did not approve the addition of 1,000 new graduate medical education (GME) slots. This Health Capital Topics article will discuss the IPPS final rule and stakeholder reactions.[3]

IPPS and LTCH PPS Payment Rate Updates

The final rule includes a 2.5% payment increase for hospitals that report quality data through the Hospital Inpatient Quality Reporting (IQR) Program and are meaningful users of electronic health records (EHRs).[4] This payment increase is 0.3% lower than the proposed payment rate.[5] CMS estimates hospital payments to increase by an adjusted total (after various decreases) of $2.3 billion in FY 2022.[6] Under the FY 2022 IPPS, hospitals may also see payment reductions for excessive readmissions, 1% payment reductions for the worst-performing quartile of hospitals, and neutral payment adjustments due to CMS suppressing many hospital value-based purchasing program measures during COVID-19.[7]

Additionally, CMS finalized LTCH-PPS payment increases of approximately 1.1%, or $42 million, a reversal from last year's decrease of 0.9%.[8] Further, for FY 2022, LTCH discharges paid the standard payment rate are expected to increase by 0.9%, a decrease of 0.3% from the proposed rate.[9] To be paid this rate upon discharge, a 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 on a ventilator for at least 96 hours, and must have not been assigned to psychiatric or rehabilitation services upon discharge.[10] Additionally, the proposed site-neutral payment rate for LTCH discharges was finalized at an increased rate of 3.0% for FY 2022.[11] The site-neutral payment rate is applied to all discharges that do not fit the criteria for the standard payment rate. For FY 2022, CMS estimates discharges paid the site-neutral payment will comprise 25% of all LTCH cases and 10% of all LTCH PPS payments, the same composition as 2021.[12]

These payment changes will affect inpatient discharges for approximately 3,200 acute care hospitals and 360 LTCHs.[13]

Extended Reimbursements for COVID-19 Treatments and Diagnosis

For FY 2022, CMS finalized 19 technologies that applied for new technology add-on payments (NTAP) and is continuing NTAP for the 23 technologies currently receiving the add-on payments.[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 (DRG) bundled payment due to the novelty of that technology.[15] 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.[16] In total, CMS has finalized 42 technologies that are eligible to receive NTAP for FY 2022, which will increase Medicare spending on NTAP by approximately $1.5 billion from FY 2021.[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. CMS finalized several changes to the IQR Program, which adds five new measures to the program, including the COVID-19 vaccination rates among healthcare personnel, a metric targeting maternal morbidity, a hybrid hospital-wide-all-cause risk standardized mortality measure, and two medication-related adverse event electronic clinical quality measures (eCQMs).[18] CMS will also remove the exclusive breast milk feeding measure, the admit decision time to emergency department departure for admitted patients measure, and a discharge-related eCQM.[19]

(Continued on next page)

Other Changes

Notably, CMS decided not to move forward with the increase of 1,000 GME positions to promote health equity under the Consolidated Appropriations Act, a trillion-dollar spending bill that seeks to provide economic relief from the COVID-19 PHE.[20] CMS had proposed to allow additional funding for residency positions added between FY 2023 and 2031, prioritizing underserved populations.[21] However, CMS said these issues would be addressed in future payment rules.[22]

Additionally, CMS will distribute $7.2 billion in uncompensated care payments for FY 2022, an approximately $1.1 billion decrease from FY 2021.[23] The finalized uncompensated care payments are lower than the $7.6 billion proposed payment, and a decrease of $660 million from FY 2021.[24] CMS is required to prospectively distribute payment equal to 75% of what would have otherwise been uncompensated care to disproportionate share hospitals.[25]

CMS will also move forward with its proposal to remove median payor-specific negotiated rates by Medicare severity-diagnosis related group (MS-DRG) with Medicare Advantage insurers.[26] CMS said this will reduce the administrative burden on hospitals by approximately 64,000 hours.[27]

Conclusion

While important health equity changes from the proposed rule, such as increases to GME slots, did not make the final rule, CMS still addressed many gaps that were highlighted by the COVID-19 PHE. Further, with this rule, CMS can improve how it measures and evaluates data while promoting high-quality care for Medicare beneficiaries. In an announcement following the release of the final rule, CMS expressed the importance of standardizing hospital quality data, with CMS Administrator Chiquita Brooks-LaSure asserting, "how Medicare pays for hospital care and evaluates quality, are integral pieces of achieving and addressing gaps in health equity and strengthening our health care system for a more sustainable future."[28] Additionally, stakeholders such as the American Hospital Association (AHA) and the Association of American Medical Colleges (AAMC) commented upon the release of the final rule, showing support for CMS helping inpatient hospitals during the COVID-19 PHE.[29] While these stakeholders did look forward to addressing health equity issues through additional GME slots, they appreciate that CMS will address this in future rules.[30] The final rule will take effect on inpatient discharges that take place on or after October 1, 2021.[31]

1 Fiscal Year (FY) 2022 Medicare Hospital Inpatient Prospective Payment System (IPPS) and Long Term Care Hospital (LTCH) Rates Final Rule (CMS-1752-F)" Centers for Medicare & Medicaid Services, August 2, 2021, https://www.cms.gov/newsroom/fact-sheets/fiscal-year-fy-2022-medicare-hospital-inpatient-prospective-payment-system-ipps-and-long-term-care-0 (Accessed 8/3/21).
2 *Ibid*.
3 For more details on CMS's FY 2022 IPPS Proposed Rule, see the following Health Capital Topics article: "IPPS and LTCH PPS Proposed for 2022" Vol. 14, Issue 5 (May 2021), https://www.healthcapital.com/hcc/newsletter/05_21/HTML/IPPS/convert_2022-ipps-proposed-rule-5.19.21.php (Accessed 8/2/21).
4 "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, https://www.govinfo.gov/content/pkg/FR-2021-08-13/pdf/2021-16519.pdf (Accessed 8/13/21), p. 44790.
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-acute (Accessed 8/4/21).
6 Federal Register Vol. 86, No. 154, August 13, 2021, p. 44783.
7 CMS, August 2, 2021.
8 *Ibid.*
9 *Ibid*; "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-shescal-year-fy-2022-medicare-hospital-inpatient-prospective-payment-system-ipps-and-long-term-care (Accessed 8/3/21).
10 "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 8/3/21).
11 Federal Register Vol. 86, No. 154, August 13, 2021, p. 45601.
12 CMS, August 2, 2021.
13 *Ibid.*
14 *Ibid.*
15 Federal Register Vol. 86, No. 154, August 13, 2021, p. 44952.
16 *Ibid*, p.44777-44778.
17 CMS, August 2, 2021.
18 *Ibid.*
19 *Ibid.*
20 *Ibid.*
21 "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 8/4/21), p. 25083.
22 CMS, August 2, 2021.
23 *Ibid.*
24 CMS, May 11, 2020.
25 CMS, August 2, 2021.
26 *Ibid.*
27 *Ibid.*
28 *Ibid.*
29 "AHA Summary of Hospital Inpatient PPS Final Rule for Fiscal Year 2022" American Hospital Association, August 3, 2021, https://www.aha.org/2021-08-03-aha-summary-hospital-inpatient-pps-final-rule-fiscal-year-2022 (Accessed 8/4/21).
30 *Ibid.*
31 CMS, August 2, 2021.

(Continued on next page)

HCC
HEALTH CAPITAL CONSULTANTS

(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.

© HEALTH CAPITAL CONSULTANTS