Medicare Long-Term Care Hospital Prospective Payment System

Payment Rule Brief — FINAL RULE

Program Year: FFY 2021

Overview and Resources

On September 2, 2020 the Centers for Medicare and Medicaid Services (CMS) released the federal fiscal year (FFY) 2021 final payment rule for the Medicare Long-Term Care Hospital Prospective Payment System (LTCH PPS). The final rule reflects the annual update to the Medicare fee-for-service (FFS) LTCH payment rates and policies.

A copy of the resources related to the LTCH PPS is available on the CMS website at https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/LongTermCareHospitalPPS/index.html.

A version of the rule is available at https://www.federalregister.gov/d/2020-19637.

Program changes finalized by CMS are effective for discharges on or after October 1, 2020, unless otherwise noted. CMS estimates the overall economic impact of this final payment rate update to be a decrease of $40 million in aggregate payments to LTCHs in FFY 2021 over FFY 2020.

Due to the significant devotion of resources to the COVID-19 response CMS waived the 60 day delay in the effective date of the final rule, and replaced it with a 30 day delay in the effective date of the final rule.

Note: Text in italics is extracted from the September 18, 2020 copy of the rule.

LTCH Payment Rate

FR pages 58,907 – 58,909, 59,049

Only LTCH discharges that meet certain clinical criteria (detailed below) will continue to be paid at the standard LTCH PPS payment rates. LTCH discharges that do not meet the established clinical criteria will continue to be paid the lower site-neutral payment rates (with some specified exclusions), which are based on the IPPS rates and are the lesser of either the IPPS comparable per diem amount, including any outlier payments, or 100 percent of the estimated cost of the case. The IPPS comparable per diem payment amount is capped at the lower of the IPPS comparable per diem amount and the full comparable amount to what would otherwise be paid under IPPS.

CMS uses the following criteria in order to identify cases eligible for a standard LTCH PPS payment:

- The LTCH discharge does not have a principal diagnosis relating to a psychiatric diagnosis or to rehabilitation;
- A case must be "immediately discharged" from an inpatient PPS hospital. This immediate discharge will be evidenced by the dates of discharge and admission to the LTCH; and
  - One or both of these criteria:
    - Must receive at least three days of care in an ICU or CCU during the prior hospital stay. CMS will use the full set of ICU and CCU revenue codes when counting a patient's ICU and CCU days during the prior acute care hospital stay; and/or
    - The patient received at least 96 hours of ventilator services in the LTCH stay.

For calculating whether an LTCH or LTCH satellite meets the existing greater than 25-day average length of stay requirement, cases paid at the site neutral rate and those paid by Medicare Advantage are excluded.

In addition, the Bipartisan Budget Act reduces the IPPS comparable amount in the site neutral payment rate calculation by 4.6% for FFYs 2018 – 2026.

Incorporating the adopted updates and the effects of budget neutrality adjustments, the table below lists the full LTCH standard federal rate for FFY 2021 compared to the rate currently in effect:

	Final FFY 2020	Final FFY 2021	Percent Change
LTCH Standard Federal Rate	**$42,677.64**	**$43,755.34 (proposed at $43,849.28)**	**2.53% (proposed at 2.75%)**

The table below provides details of the adopted updates for the LTCH standard federal rate for FFY 2021:

	LTCH Rate Updates and Budget Neutrality Adjustments
Marketbasket Update	**+2.3% (proposed at +2.9%)**
ACA Pre-Determined Reduction	**-0.0 percentage points (PPT) (proposed at -0.4 PPT)**
Wage Index Budget Neutrality Adjustment	**1.0016837 (proposed at 1.0018755)**
Budget Neutrality Adjustment (as a result of Elimination of 25-percent Threshold)	**1.000517 (as proposed)**
Overall Rate Change	**2.53% (proposed at 2.75%)**

Revising and Rebasing of the LTCH Marketbasket

FR pages 58,909- 58,926

CMS is adopting its proposal to revise and rebase the LTCH market basket for FFY 2021 from a base year of 2013 to a base year of 2017. Specifically, the FFY 2021 market basket will reflect 2017 Medicare-allowable total cost data. The 2017-based LTCH market basket will calculate Home Office Contract Labor Costs cost category using the Medicare cost report data rather than the Bureau of Economic Analysis Benchmark Input-Output data used in the 2013-based LTCH market basket.

Adjustment for LTCH Discharges That Do Not Meet the Discharge Payment Percentage

FR page 58,897, FFY 2020 Final Rule Federal Register pages 42,439 – 42,445

The LTCH discharge payment percent is the percent of all Medicare FFS discharges that are paid the standard LTCH payment rate, and not the site neutral payment rate.

For all cost reporting periods beginning on or after October 1, 2020, the IPPS equivalent payment rate will be mandated for *ALL* discharges for LTCHs that fail to meet the applicable discharge threshold in the prior FFY (less than 50% of patients for whom the standard LTCH PPS payment is made).

25-Percent Threshold Policy

FR page 58,907

In the FFY 2019 final rule, CMS finalized the removal of the 25% threshold policy in a budget neutral manner. CMS only applies the budget neutrality adjustment to the LTCH PPS standard Federal payment rate because payments made under the site neutral payment rate would be unaffected by the policy.

For FFY 2019, CMS adopted a temporary budget neutrality factor of 0.990878, which was rolled back in the FFY 2020 final rule. CMS also adopted a temporary budget neutrality adjustment of 0.990737 for FFY 2020 and a permanent budget neutrality adjustment of 0.991249 for FFY 2021.

For FFY 2021, CMS is removing the temporary FFY 2020 budget neutrality factor by applying a factor of (1/0.990737) to the rate. CMS is also applying the FFY 2021 permanent budget neutrality adjustment of 0.991249, resulting in a total budget neutrality factor of 1.000517 (1/0.990737 x 0.991249) for FFY 2021.

Wage Index Labor-Related Share, CBSA and COLA

FR pages 58,924 – 58,926, 59,049 – 59,054

As in prior years, CMS will continue to use the most recent inpatient hospital wage index, the FFY 2021 pre-rural floor and pre-reclassified hospital wage index, to adjust payment rates under the LTCH PPS for FFY 2021.

For FFY 2021, CMS is adopting its proposal to update the Core-Based Statistical Areas (CBSA) for all providers based on the delineations published in the Office of Budget and Management (OMB) Bulletin No. 18-04 released on September 14, 2018. Included in this bulletin are new CBSAs, urban counties that become rural, rural counties that become urban, and existing CBSAs that are split apart or otherwise changed. CMS believes that these delineations better represent current rural and urban areas. As a result, provider wage indexes change depending on which CBSA they are assigned. In order to alleviate significant losses in revenue, CMS is adopting a 2-year transition period. Adopted delineations will be effective beginning October 1, 2020 and include a 5% cap on the reduction of a provider's wage index for FFY 2021 compared to its wage index for FFY 2020, with the full reduction of a provider's wage index beginning in FFY 2022.

The September 14, 2018 OMB Bulletin 18-04 can be found at https://www.whitehouse.gov/wp-content/uploads/2018/09/Bulletin-18-04.pdf.

The March 6, 2020 OMB Bulletin 20-01 was not issued in time for integration into the rule. This bulletin can be found at https://www.whitehouse.gov/wp-content/uploads/2020/03/Bulletin-20-01.pdf. For FFY 2022, CMS intends to propose any updates from this OMB bulletin to further update CBSA delineation.

The wage index, which is used to adjust payment for differences in area wage levels, is applied to the portion of the LTCH standard federal rate that CMS considers to be labor-related. CMS estimated the labor-related portion of the LTCH standard federal rate using the adopted 2017-based LTCH marketbasket. Based on the updates to the marketbasket value, CMS is adopting an increase to the labor-related share from 66.3% for FFY 2020 to 68.1% (proposed at 68.0%) for FFY 2021.

CMS is also adopting a wage index budget neutrality factor of 1.0016837 (proposed at 1.0018755) for FFY 2021, which factors in the adopted CBSA changes.

Updates to the MS-LTC-DRGs

FR pages 58,898 – 58,907

Each year, CMS updates the MS-LTC-DRG classifications and relative weights. These updates are made to reflect changes in treatment patterns, technology, and any other factors that may change the relative use of

hospital resources. Although the DRGs used to classify patients under the LTCH PPS are the same as those used under the inpatient PPS, the relative weights are different for each setting. The MS–LTC DRG relative weights are determined using only data from LTCH discharges that meet the criteria for exclusion from the site neutral payment rate (that is, LTCH PPS standard Federal payment rate cases). CMS is finalizing its proposal to continue to use its existing methodology to determine the MS-LTC-DRG relative weights.

CMS is providing the low-volume quintiles and a cross-walk of MS-LTC-DRGs with no-volume to their final MS-LTC-DRGs at: https://www.cms.gov/files/zip/fy-2021-ltch-pps-final-rule-low-volume-quintiles-no-volume-crosswalk.zip

HCO Payments

FR pages 59,054 – 59,058

High cost outlier (HCO) payments were established under the LTCH PPS to provide additional payments for very costly cases. Outlier payments are made if the estimated cost of the case exceeds the payment for the case plus a fixed-loss amount. Costs are determined by multiplying the facility's overall cost-to-charge ratio (CCR) by the allowable charges for the case. When a case qualifies for an outlier payment, CMS pays 80% of the difference between the estimated cost of the case and the fixed-loss amount as a separate outlier payment, in addition to the traditional DRG payment.

If an LTCH's CCR is higher than the LTCH Total CCR ceiling, the LTCH is assigned the statewide average CCR, which would then be used in the HCO formula. CMS is adopting a Total CCR ceiling of 1.24 (proposed at 1.251) for FFY 2021 for both LTCH PPS standard Federal payment rate cases and site neutral payment rate cases.

There are two separate high-cost outlier targets – one for LTCH PPS standard Federal payment rate cases and one for site neutral payment rate cases. Under the two-tiered system, there is an 8.0% high-cost outlier target for standard LTCH PPS cases using only standard LTCH cases. For site neutral cases, CMS uses a 5.1% target, the same as the operating IPPS target. CMS is adopting an increase to the threshold for cases paid under the LTCH standard Federal payment rate from $26,778 in FFY 2020 to $27,195 (proposed at $30,515) in FFY 2021. CMS is also finalizing a fixed-loss threshold for cases paid under the site neutral payment rate increase from $26,552 in FFY 2020 to $29,051 (proposed at $30,006) in FFY 2021. This adopted fixed-loss amount for site-neutral payment rate cases is the same as the FFY 2021 adopted IPPS fixed-loss amount.

CMS will continue to make an additional HCO payment for the cost of a case that exceeds the HCO threshold amount that is equal to 80 percent of the difference between the estimated cost of the case and the outlier threshold (the sum of the fixed-loss amount and the amount paid under the SSO policy) for both LTCH Standard cases and site neutral cases.

To ensure that estimated HCO payments payable to site neutral payment rate cases would not result in any increase in aggregated payments, CMS will continue to apply a budget neutrality adjustment that reduces site neutral payment rate payments by 5.1% in FFY 2021 (same as FFY 2020). CMS will apply the 5.1% only to the non-HCO portion of the site neutral rate payment amount.

SSO Payments

FR pages 58,898, 58,901 – 58,907

Short-stay outlier (SSO) payments were established under the LTCH PPS to ensure that LTCH payments, which are predicated on long lengths of stay (LOS), are not applied to cases where the patient may have received only partial treatment at a LTCH. A SSO case is a covered length of stay that is less than or equal to 5/6th of the geometric average length of stay for a specific MS-LTC-DRG. Generally, the average length of stay for an LTCH is 25 days.

CMS did not make any major changes to the SSO policy.

Updates to the LTCH Quality Reporting Program (LTCH QRP)

FR page 58,965

Beginning in FFY 2014, the applicable annual update is reduced by two percentage points for any LTCH that does not meet the QRP requirements.

There were no LTCH QRP changes adopted in this final rule.

The following table lists the previously finalized LTCH QRP measures and applicable payment determination years.

Measure	**NQF #**	**Finalized Cross-Setting Measure**	**Payment Determination Year**
NHSN Catheter-Associated Urinary Tract Infection (CAUTI) Outcome Measure	#0138		FFY 2015 and beyond
NHSN Central Line-Associated Blood Stream Infection (CLABSI) Outcome Measure	#0139		FFY 2015 and beyond
Percent of Residents or Patients Who Were Assessed and Appropriately Given the Seasonal Influenza Vaccine (Short-Stay) **(removed after this year)**	#0680		FFY 2016-FFY 2021
Influenza Vaccination Coverage among Healthcare Personnel	#0431		FFY 2016 and beyond
NHSN Facility-Wide Inpatient Hospital-Onset Clostridium difficile Infection (CDI) Outcome Measure	#1717		FFY 2017 and beyond
Application of Percent of Residents Experiencing One or More Falls with Major Injury (Long-Stay)	#0674	Yes	FFY 2018 and beyond
Percent of LTCH Patients with an Admission and Discharge Functional Assessment and a Care Plan That Addresses Function	#2631	Yes	FFY 2018 and beyond
Application of Percent of LTCH Patients with an Admission and Discharge Functional Assessment and a Care Plan That Addresses Function	#2631	Yes	FFY 2018 and beyond
Functional Outcome Measure: Change in Mobility among LTCH Patients Requiring Ventilator Support	#2632		FFY 2018 and beyond
Medicare Spending Per Beneficiary (MSPB) – Post Acute Care (PAC) LTCH Quality Reporting Program (QRP)	N/A	Yes	FFY 2018 and beyond
Discharge to Community – Post Acute Care PAC LTCH QRP	N/A	Yes	FFY 2018 and beyond
Potentially Preventable 30-Day Post-Discharge Readmission Measure for LTCH QRP	N/A	Yes	FFY 2018 and beyond
Drug Regimen Review Conducted With Follow-Up for Identified Issues- PAC LTCH QRP	N/A	Yes	FFY 2020 and beyond
Changes in Skin Integrity Post-Acute Care: Pressure Ulcer/Injury	N/A		FFY 2020 and beyond
Compliance with Spontaneous Breathing Trial (SBT) by Day 2 of the	N/A		FFY 2020 and

LTCH Stay			beyond
Ventilator Liberation Rate	N/A		FFY 2020 and beyond
Transfer of Health Information to the Provider Post-Acute Care	N/A		FFY 2022 and beyond
Transfer of Health Information to the Patient Post-Acute Care	N/A		FFY 2022 and beyond

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