



Beyond Your Numbers

Medicare PPS & Legislative Update



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CPA & Advisory Services

Beyond Your Numbers

Agenda

- ✓ Medicare Improvements for Patients & Providers Act of 2008 (MIPPA)
- ✓ FY 2009 Inpatient PPS Final Rule
- ✓ Other Recent CMS Rules

Beyond Your Numbers

MIPPA

- ✓ Physician Provisions
- ✓ Rural Hospital Provisions
- ✓ Other Provisions

MIPPA Physician Provisions

- ✓ Reverses 10.6% physician fee schedule cut enacted 7/1/08
- ✓ 0.5% fee increase extended throughout 2008
- ✓ 1.1% fee increase for 2009
- ✓ "Doomsday" delayed until 2010

MIPPA Physician Provisions

- ✓ Physician quality reporting initiative (PQRI) extended through 2010
 - 1.5% payment in 2007 & 2008
 - 2.0% payment in 2009 & 2010
- ✓ Report on value-based purchasing due 5/1/10

MIPPA Physician Provisions

- ✓ Incentives for electronic prescribing
 - 2.0% in 2009 & 2010
 - 1.0% in 2011 & 2012
 - 0.5% in 2013
- ✓ Penalties for NOT prescribing electronically starting in 2012

MIPPA Physician Provisions

- ✓ Physician fee schedule has work, practice (i.e. office) & malpractice components
- ✓ Geographic practice cost index (GPCI) adjusts fee schedule for area cost differences
- ✓ 1.0 floor on work component of GPCI (established in 2004) is extended through 12/31/09

MIPPA Rural Hospital Provisions

- ✓ New base year for sole community hospitals
- ✓ Year beginning on or after 10/1/05
- ✓ Effective with cost reporting periods beginning on or after 1/1/09
- ✓ Approximately 200 SCHs should benefit

MIPPA Rural Hospital Provisions

- ✓ Section 508 geographic reclassifications extended one year, to 9/30/09
- ✓ Outpatient hold harmless extended through 2009, at 85% payment level
- ✓ SCHs up to 100 beds also eligible for hold harmless during 2009, at 85% payment level

MIPPA Rural Hospital Provisions

- ✓ Nonpatient lab for critical access hospitals
 - Cost reimbursed regardless of whether patient is at CAH when specimen is collected, or at a "skilled nursing facility or clinic (including a rural health clinic) that is operated by" the CAH
 - Effective 7/1/09

MIPPA Other Provisions

- ✓ Freestanding imaging centers must be accredited by 1/1/12
- ✓ Approved accrediting organizations to be named by 1/1/10

MIPPA Other Provisions

- ✓ Ambulance fees increased 7/1/08-12/31/09
 - Rural services increased by 3%
 - Urban services increased by 2%
- ✓ Inflation update for laboratory fee schedule reduced by 0.5% for 2009-2013

MIPPA Other Provisions

- ✓ Exceptions to Part B therapy caps extended through 12/31/09
- ✓ FQHC payment limits increased \$5 starting in 2010
 - Comptroller General to issue study by 10/15/09 on adequacy of Medicare payments to FQHCs

MIPPA Other Provisions

- ✓ MIPPA financed by eliminating indirect medical education payments to Medicare managed care plans starting in 2010

FY 2009 IPPS Final Rule

- ✓ To be published 8/19/08
- ✓ 3.6% update factor
- ✓ 1.5% documentation & coding adjustment
 - Adjustment doesn't apply to sole community & Medicare-dependent hospital-specific rates
 - Projecting 1.8% cut 10/1/09
 - Could be worse thereafter

FY 2009 IPPS Final Rule

- ✓ Outlier fixed-loss threshold decreases from \$22,185 to \$20,185
- ✓ CMS projects 2.9% net payment increase (doesn't include estimated case-mix increase)
 - 3.0% for urban hospitals
 - 2.1% for rural hospitals

FY 2009 IPPS Final Rule

Medicare Margin %	Urban Hospitals	Rural Hospitals	All Hospitals
2003	(0.9)	(3.9)	(1.3)
2004	(2.9)	(3.4)	(3.0)
2005	(3.0)	(3.1)	(3.0)
2006	(4.8)	(5.1)	(4.8)

FY 2009 IPPS Final Rule

Medicare Margin %	Major Teaching	Other Teaching	Non-teaching
2003	6.6	(1.5)	(5.3)
2004	5.0	(3.2)	(7.0)
2005	5.0	(3.6)	(6.8)
2006	2.8	(5.4)	(8.5)

FY 2009 IPPS Final Rule

- ✓ 100% cost-based MS-DRG weights
- ✓ New cost center for implantable devices
 - Report revenue codes 275 (Pacemaker), 276 (Intraocular Lens), 278 (Other Implants) & 624 (Investigational Devices)
 - Capture charges & costs
 - Effective with new cost report forms (sometime in 2009)

FY 2009 IPPS Final Rule

- ✓ Final wage index tables not published yet
- ✓ File "incomplete" MGCRB requests by 9/2/08
- ✓ Urban hospital must have wage \geq 108% of area left behind (no change)
- ✓ Urban hospital must have wage \geq 86% of area entering (was 84%)

FY 2009 IPPS Final Rule

- ✓ Rural hospital must have wage \geq 106% of area left behind, unless rural referral center (RRC) (no change)
- ✓ Rural hospital must have wage \geq 84% of area entering (was 82%)
- ✓ Additional 2% increase in 2010, to 88% for urban and 86% for rural hospitals

FY 2009 IPPS Final Rule

- ✓ Rural wage index floor budget neutrality – implemented at state level starting in FY 2009:
 - FY 2009 – 20% state, 80% national
 - FY 2010 – 50% state, 50% national
 - FY 2011 – 100% state
- ✓ For FY 2009, negative impacts in VT (-0.7%), CT (-0.4%), CA (-0.2%), NH (-0.2%), NY (-0.2%)

FY 2009 IPPS Final Rule

- ✓ Occupational mix survey due 9/2/08
- ✓ CMS still studying MedPAC proposal to revise wage index using Bureau of Labor Statistics data
 - 37% of hospitals would see wage index increase or decrease by more than 5%
 - 34% of reclassified hospitals would see wage index decrease by more than 5%

FY 2009 IPPS Final Rule

- ✓ Hospital-acquired conditions – Added 3 to original list of 8 (for 11 total) effective 10/1/08
 - No increase in DRG payment if condition not reported as present on admission
- ✓ 13 new quality measures for reporting in 2009
- ✓ Still evaluating strategies to reduce avoidable readmissions

FY 2009 IPPS Final Rule

- ✓ Sole community or Medicare-dependent hospitals with >5% volume decreases
 - To apply for additional reimbursement starting with 2007 decreases, justify staffing using 2006 occupational mix survey or AHA survey
 - Compare hospital nurse staffing using same method as survey

FY 2009 IPPS Final Rule

- ✓ Capital indirect medical education add-on eliminated over 2 years, 50% at 10/1/08 & 100% at 10/1/09

FY 2009 IPPS Final Rule

- ✓ Disclosure of Financial Relationships Report
 - Initially to be sent to 500 hospitals
 - Disclose all direct or indirect ownership, investment or compensation arrangements with physicians
 - Will have 60 days to respond
 - CMS estimates 100 hours to complete report

FY 2009 IPPS Final Rule

- ✓ Physician self-referral provisions - physician cannot make referral for designated health services to an entity with which he/she has a financial relationship
 - Expands definition of designated health services
 - Prohibits certain payment arrangements for space or equipment leases

SNF PPS Final Rule

- ✓ 3.4% payment update 10/1/08
- ✓ Eliminated proposed recalibration adjustment
 - Had proposed 3.3% reduction due to higher percent of residents scoring in nine new payment categories
 - Decided to study further after comments

Rehab PPS Final Rule

- ✓ Rates frozen 4/1/08-9/30/09 by Medicare, Medicaid & SCHIP Extension Act of 2007 (MMSEA)
- ✓ MMSEA also freezes "75% rule" at 60%
 - 60% of patients must have one of 13 conditions
 - Can count comorbidities

2009 Outpatient PPS Proposed Rule

- ✓ 3.0% payment update
- ✓ 1.0% if not reporting quality data
- ✓ Proposing new cost center for high-cost drugs
- ✓ Maintaining 7.1% sole community hospital add-on

Rural Health Clinic June 27, 2008 Proposed Rule

- ✓ RHC location requirements
 - RHC must be in an area certified as "allowable" within the last 3 years
 - May result in some RHCs losing their special status
 - Allowable locations - Non-urbanized area per U.S. Census Bureau and either:
 - HPSA
 - MUA
 - Governor-designated & CMS-approved shortage area

Rural Health Clinic June 27, 2008 Proposed Rule

- ✓ Recertification required every 3rd year
 - RHC status terminates 180 days after criteria not met
 - Can maintain criteria if exception met
 - Sole community provider
 - Major community provider
 - Specialty clinic (OB/GYN or pediatrics)
 - Extremely rural community provider
 - Must file within 90 days of the final rule if not in an allowable area

Rural Health Clinic June 27, 2008 Proposed Rule

- ✓ Other items
 - Changes to application of coinsurance
 - Will likely reduce payments
 - 20% of charge vs. 20% of cost
 - Clarification of PA/NP staffing requirements and exception process
 - Discussion of contracted PA/NP
 - Must employ at least one person
 - Numerous health and safety requirements
- ✓ Unrelated item
 - Contracted physician visits now subject to productivity computation

Final Takeaways

- ✓ Complete occupational mix survey
- ✓ File "incomplete" MGCRB request
- ✓ Watch for Disclosure of Financial Relationships Report
- ✓ Monitor payments under MS-DRGs
- ✓ Make sure conditions present on admission are being captured & reported

Final Takeaways

- ✓ Prepare to track revenues and costs for implantable devices
- ✓ Evaluate new physician self-referral rules
- ✓ Monitor quality reporting, including PQRI
- ✓ Evaluate sole community hospital rebasing opportunity
- ✓ Monitor status of rural health clinic regulations

Questions?

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