

# CMS NEWS

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## **CMS Issues Final Inpatient Payment Rule**

### ***Final rule increases payments to hospitals; strengthens link to quality care***

The Centers for Medicare & Medicaid Services (CMS) today issued a final rule that updates fiscal year (FY) 2013 Medicare payment policies and rates for inpatient stays at general acute care and long-term care hospitals (LTCHs), and builds on the Obama Administration's work to slow growth in future health care costs by improving patient care.

The final rule also implements key elements of the Affordable Care Act's hospital value-based purchasing and hospital readmissions reduction programs. The rule advances Administration efforts to tie Medicare payments to quality health care across the delivery system, with new quality reporting measures for general acute care hospitals in FY 2015 and FY 2016; new measures for long-term care hospitals in FY 2016, and new quality reporting programs for psychiatric hospitals and cancer hospitals. In addition, the rule establishes new reporting and other requirements for the Ambulatory Surgical Center Quality Reporting (ASCQR) Program.

"Hospitals are at the forefront of our strategy to both save money and improve the quality and coordination of care," said CMS Acting Administrator Marilyn Tavenner. "This rule takes further important steps to ensure all patients receive the best possible care."

### **FY 2013 Payment Update**

Under the final rule, payment rates to general acute care hospitals will increase by 2.8 percent in FY 2013. The 2.8 percent is a net update after the market basket update, improvements in productivity, a statutory adjustment factor, and adjustments for hospital documentation and coding changes. The rate increase, together with other policies in the final rule, would increase Medicare's operating payments to acute care hospitals by approximately 2.3 percent in FY 2013. After taking into account the expiration of certain statutory provisions that provided special temporary increases in payments to hospitals, and other changes to IPPS payment policies, CMS projects that total Medicare spending on inpatient hospital services will increase by about \$2 billion in FY 2013 relative to FY 2012.

Under the final rule LTCH payments are expected to increase by approximately \$92 million or 1.7 percent in FY 2013 relative to FY 2012, this reflects a 1.8 percent payment rate update. As explained further below, in addition to this 1.8 percent update for inflation (adjusted as required by the statute), to LTCH payment rates will be reduced to 0.5 percent due to the one-time budget neutrality adjustment for discharges on or after December 29, 2012.

### **Provisions Promoting Improved Patient Care**

To provide hospitals with an incentive to reduce hospital readmissions and improve care coordination, the Affordable Care Act created a Hospital Readmissions Reduction Program that will reduce payments beginning in FY 2013 (for discharges on or after October 1, 2012) to certain hospitals that have excess readmissions for three selected conditions: heart attack, heart failure and pneumonia. Today's rule finalizes a methodology and the payment adjustment factors to account for excess readmissions for these three conditions.

The final rule strengthens the Hospital Value-Based Purchasing Program (VBP program) to reward efficient, high-quality care. This program, which was created by the Affordable Care Act, will adjust hospital payments beginning in FY 2013 and annually thereafter based on how well hospitals perform or improve their performance on a set of quality measures.

The final rule includes a new outcome measure in the VBP program that rewards hospitals for avoiding certain kinds of life-threatening blood infections that can develop during inpatient hospital stays. This measure, the central line-associated bloodstream infection measure, supports ongoing work by CMS and other hospital safety leaders to reduce healthcare-associated infections through the Partnership for Patients initiative.

The final rule also strengthens the Inpatient Quality Reporting (IQR) program. Specifically, CMS is including measures for perinatal care and readmissions, including overall readmissions and readmissions relating to hip and knee replacement procedures, as well as a measure related to whether hospitals use surgery checklists. CMS is also adding a new survey measure to the Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) measures to assess the quality of care for patients as they transition from one care setting to another.

The final rule builds on CMS' quality reporting initiatives by adopting the measures that will be used for LTCHs for the FY 2015 and FY 2016 quality-based payment determinations and establishing quality reporting for psychiatric hospitals and psychiatric units that are paid under the Inpatient Psychiatric Facilities Prospective Payment System and for PPS-exempt cancer hospitals. Reporting and other requirements are also finalized for the ASCQR program.

## **Documentation and Coding**

The final rule would complete all documentation and coding adjustments for FY 2008 and FY 2009 as required by the TMA, Abstinence Education, and QI Programs Extension Act of 2007. The net effect of final documentation and coding adjustments for FY 2013 is an aggregate rate increase of 1.0 percent, a 0.8 percentage point increase from the proposed rule.

## **Expiration of Medicare, Medicaid, and SCHIP Extension Act Moratorium**

In the Medicare, Medicaid, and SCHIP Extension Act of 2007, Congress imposed a three-year moratorium that prevented CMS from implementing certain payment policies affecting certain LTCHs and LTCH satellite facilities. At the same time, the law imposed a moratorium on establishing new LTCHs and LTCH satellite facilities, and on increasing the number of patient beds in existing LTCHs and LTCH satellite facilities, unless an exception applied. These moratoria were extended for two years in the Affordable Care Act.

In this rule, CMS is finalizing:

- An extension of the existing moratorium on the “25 percent threshold” policy as well as providing a supplemental moratorium for certain LTCHs and LTCH satellite facilities, pending results of an on-going research initiative to re-define the role of LTCHs in the Medicare program.
- A 1.3 percent reduction (first year of a three-year phase-in) for a permanent prospective budget neutrality adjustment. The reduction would not apply to discharges occurring on or before December 28, 2012, because the law prohibits its application before that date. The budget neutrality adjustment reduces the update from 1.8 percent to 0.5 percent.

The statutory moratorium on new LTCHs and LTCH satellite facilities as well as an increase in beds in existing LTCHs and LTCH satellite facilities will expire on December 29, 2012. The five-year statutory delay in the application of the “IPPS comparable” per diem payment option under the short stay outlier policy will also expire for discharges occurring on or after December 29, 2012.

For more information on the payment and quality provisions in the final IPPS/LTCH rule, go to: [http://www.cms.gov/apps/media/fact\\_sheets.asp](http://www.cms.gov/apps/media/fact_sheets.asp)

The final rule can be downloaded from the *Federal Register* at:

<http://www.ofr.gov/inspection.aspx?AspxAutoDetectCookieSupport=1>.

The final rule will appear in the August 31, 2012 *Federal Register*, and will take effect October 1, 2012.

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