Illinois Health and Hospital Association

RULE SUMMARY

MAY 2024

MEDICARE LONG-TERM CARE HOSPITAL PROSPECTIVE PAYMENT SYSTEM

Overview and Resources

On April 10, 2024, the Centers for Medicare & Medicaid Services (CMS) released the federal fiscal year (FFY) 2025 proposed payment rule for the Medicare Long-Term Care Hospital Prospective Payment System (LTCH PPS). The proposed rule reflects the annual update to the Medicare fee-for-service (FFS) LTCH payment rates and policies. A set of the resources related to the LTCH PPS is available on the CMS website. An online version of the proposed rule.

Program changes proposed by CMS would be effective for discharges on or after Oct. 1, 2024, unless otherwise noted. CMS estimates the overall economic impact of this proposed payment rate update to be an increase of $41 million in LTCH PPS payments in FFY 2025 over FFY 2024.

Comments on the proposed rule are due to CMS by June 10 and can be submitted electronically here by using the website's search feature to search for file code "CMS-1808-P".

LTCH Payment Rate

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 inpatient PPS (IPPS) rates and are the lesser of either the IPPS comparable per diem amount, including any outlier payments, or 100% 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 IPPS 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 intensive care unit (ICU) or critical care unit (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.

Cases paid at the site neutral rate and those paid by Medicare Advantage are excluded when calculating whether an LTCH or LTCH satellite meets the existing greater than 25-day average length of stay requirement. In addition, the Bipartisan Budget Act of 2018 reduces the IPPS comparable amount in the site neutral payment rate calculation by 4.6% for FFYs 2018 through 2026.

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. The IPPS equivalent payment rate is 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).

Incorporating the proposed updates and the effects of budget neutrality adjustments, the table below lists the proposed LTCH standard federal rate for FFY 2025 compared to the rate currently in effect:\

	Final FFY 2024	Proposed FFY 2025	Percent Change
LTCH Standard Federal Rate	$48,116.62	$49,262.80	2.38%

The table below provides details of the proposed updates for the LTCH standard federal rate for FFY 2025

	LTCH Rate Updates and Budget Neutrality Adjustments
Market Basket Update	+3.2%
ACA Productivity Adjustment	-0.4 percentage points (PPT)
Wage Index Budget Neutrality Adjustment	0.9959347
Overall Rate Change	2.38%

Revising and Rebasing of the LTCH Market Basket

CMS periodically rebases the market basket to reflect the changes in the goods and services needed to furnish LTCH services. CMS is proposing to rebase and revise the LTCH market-basket to reflect a FFY 2022 base year, beginning with FFY 2025, rather than the current FFY 2017 base year.

Wage Index and Labor-Related Share

As in prior years, CMS is proposing to continue to use the most recent inpatient hospital wage index, the FFY 2025 pre-rural floor, pre-reclassified hospital wage index, to adjust payment rates under the LTCH PPS for FFY 2025.

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 labor-related. CMS estimated the labor-related portion of the LTCH standard federal rate, using the 2022-based LTCH market basket. Based on updates to the market basket value, CMS is proposing an increase to the labor-related share from 68.5% for FFY 2024 to 72.8% for FFY 2025.

CMS applies a 5% cap on any decrease to the LTCH wage index, compared with the previous year's wage index. The cap is applied regardless of the reason for the decrease and implemented in a budget neutral manner. This also means that if an LTCH's prior FFY wage index is calculated with the application of the 5% cap, the following year's wage index will not be less than 95% of the LTCH's capped wage index in the prior FFY. A new LTCH is paid the wage index for the area in which it is geographically located for its first full or partial FFY with no cap applied, because a new LTCH will not have a wage index in the prior FFY.

CMS also applies the 5% permanent cap on the IPPS comparable wage indexes as well for the calculation of site-neutral payments with the same stipulations, but not applied in a budget neutral manner.

On July 21, 2023, the Office of Management and Budget (OMB) issued OMB Bulletin No. 23-01 that made a number of significant changes related Core Based Statistical Area (CBSA) delineations. To align with these changes, CMS is proposing to adopt the newest OMB delineations for the FFY 2025 LTCH PPS wage index. If CMS adopts this proposal, 54 counties that are currently part of an urban CBSA would be considered located in a rural area, and 54 counties that are currently located in rural areas would be considered located in urban areas. Since CMS already applies a 5% cap on wage index losses from year to year (described above), CMS does not believe any additional transition for LTCHs is necessary.

CMS is proposing a wage index and labor-related share budget neutrality factor of 0.9959347 for FFY 2025 to ensure that aggregate payments made under the LTCH PPS are not greater or less than would otherwise be made if wage adjustments had not changed. This budget neutrality factor also includes the impact of the 5% cap on LTCH wage index decreases.

Updates to the Medicare Severity-Long Term Care-Diagnosis Related Groups (MS-LTC-DRG)

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 IPPS, 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 proposing to continue to use its existing methodology to determine the MS-LTC-DRG relative weights.

CMS is proposing to continue to apply a 10% cap on the reduction of a MS-LTC-DRG's relative weight in a given year compared to the weight in the previous year to MS-LTC-DRGs with at least 25 applicable LTCH cases in the claims data used to calculate the relative weights for the FFY. CMS is proposing to implement the cap in a budget neutral manner, with a budget neutrality factor applied directly to the MS-LTC-DRG weights.

The full list of proposed MS-LTC-DRGs for FFY 2025 can be found here.

High Cost Outlier (HCO) Payments

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 proposing a total CCR ceiling of 1.371 for FFY 2025 for both LTCH PPS standard federal payment rate cases and site neutral payment rate cases.

There are two separate HCO 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% HCO 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 proposing an increase to the threshold for cases paid under the LTCH standard federal payment rate from $59,873 in FFY 2024 to $90,921 in FFY 2025. CMS recognizes that the proposed threshold is significantly higher than the previous fixed-loss amount for FFY 2024 and is soliciting comments on modifying the methodology for determining the threshold. Specifically, CMS considered proposing to establish the FFY 2025 fixed-loss threshold as an average of the FFY 2024 threshold and the $90,921 calculated FFY 2025 threshold, which would have made the threshold $75,397 to provide a 1-year transition to the full increase.

CMS is also proposing a fixed-loss threshold for cases paid under the site neutral payment rate increase from $42,750 in FFY 2024 to $49,237 in FFY 2025. This proposed fixed-loss amount for site-neutral payment rate cases is the same as the FFY 2025 proposed IPPS fixed-loss amount.

CMS is proposing to 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 is proposing to continue to apply a budget neutrality adjustment that reduces site-neutral payment rate by 5.1% in FFY 2025, which is the same as FFY 2024. CMS would apply the 5.1% only to the non-HCO portion of the site-neutral rate payment amount.

Short-Stay Outlier (SSO) Payments

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 5/6 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 propose any major changes to the SSO policy.

Updates to the LTCH Quality Reporting Program (LTCH QRP)

Beginning in FFY 2014, the applicable annual update is reduced by two percentage points for any LTCH that does not meet the QRP requirements. The following table lists the previously adopted LTCH QRP measures and payment determination years.

Measure	NQF #	Finalized Cross-Setting Measure	Payment Determination Year
National Healthcare Safety Network (NHSN) Catheter-Associated Urinary Tract Infection (CAUTI) Outcome Measure	#0138		FFY 2015+
NHSN Central Line-Associated Blood Stream Infection (CLABSI) Outcome Measure	#0139		FFY 2015+
Influenza Vaccination Coverage among Healthcare Personnel	#0431		FFY 2016+
NHSN Facility-Wide Inpatient Hospital-Onset Clostridium difficile Infection (CDI) Outcome Measure	#1717		FFY 2017+
Application of Percent of Residents Experiencing One or More Falls with Major Injury (Long-Stay)	#0674	Yes	FFY 2018+
Functional Outcome Measure: Change in Mobility among LTCH Patients Requiring Ventilator Support	#2632		FFY 2018+
Medicare Spending per Beneficiary (MSPB) – Post Acute Care (PAC) LTCH Quality Reporting Program (QRP)	N/A	Yes	FFY 2018+
Discharge to Community – PAC LTCH QRP	N/A	Yes	FFY 2018+
Potentially Preventable 30-Day Post-Discharge Readmission Measure for LTCH QRP	N/A	Yes	FFY 2018+

Drug Regimen Review Conducted with Follow-Up for Identified Issues – PAC LTCH QRP	N/A	Yes	FFY 2020+
Changes in Skin Integrity PAC: Pressure Ulcer/Injury	N/A		FFY 2020+
Compliance with Spontaneous Breathing Trial (SBT) by Day 2 of the LTCH Stay	N/A		FFY 2020+
Ventilator Liberation Rate	N/A		FFY 2020+
Transfer of Health Information to the Provider PAC	N/A		FFY 2022+
Transfer of Health Information to the Patient PAC	N/A		FFY 2022+
COVID-19 Vaccination Coverage among Healthcare Personnel (HCP)	N/A		FFY 2023+
Discharge Function Score	N/A		FFY 2025+
COVID-19 Vaccine: Percent of Patients/Residents Who Are Up to Date	N/A		FFY 2026+

CMS is not proposing to adopt any new measures for the LTCH QRP.

Separately, CMS is proposing to require LTCHs to report four new items to the LTCH Continuity Assessment and Record of Evaluation (CARE) Data Set (LCDS) social determinants of health category beginning with the FFY 2028 LTCH QRP:

- Living Situation – “What is your living situation today?”
- Food – “Within the past 12 months, you worried that your food would run out before you got money to buy more.”
- Food – “Within the past 12 months, the food you bought just didn’t last and you didn’t have money to get more.”
- Utilities – “In the past 12 months, has the electric, gas, oil, or water company threatened to shut off services in your home?”

Additionally, CMS is proposing to modify the Transportation item of the LCDS dataset beginning with the FFY 2028 LTCH QRP from “Has lack of transportation kept you from medical appointments, meetings, work, or from getting things needed for daily living?” to “In the past 12 months, has lack of reliable transportation kept you from medical appointments, meetings, work or from getting things needed for daily living?” in order to distinguish the look back period and to simplify response options. In addition, the revised assessment item will be collected at admission only, which will decrease provider burden since the current assessment item is collected at both admission and discharge.

LTCHs would be required to report these items beginning with patients admitted on October 1, 2026.

Lastly, CMS is proposing to extend the admission assessment window for the LCDS from three days to four days beginning with the FFY 2028 LTCH QRP (LTCH admissions beginning October 1, 2026) in order to give LTCHs more time to collect the required LCDS data on medically complex patients that are admitted prior to and on weekends.

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