

An IPPS & OPSS Update

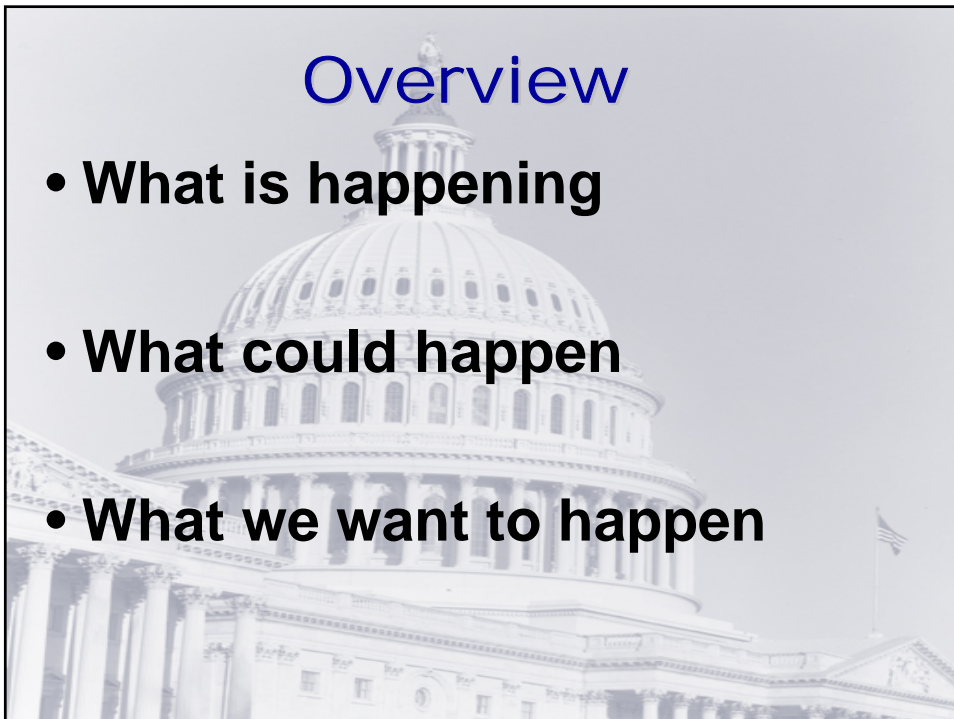
How to Deal with Changes in New Regulations...



**Louisiana Rural Health Association
2007 Annual Conference
October 16, 2007**

Overview

- **What is happening**
- **What could happen**
- **What we want to happen**



FY 2008 Inpatient PPS Rule

Major Polices Addressed:

- **Market Basket Update**
 - 3.3% market basket update for hospitals that submit data on 27 quality measures
 - Hospitals that do not submit data for the 27 quality measures will receive a 2.0% reduction in market basket resulting in an update of only 1.3%
- **“Behavioral Offset” Victory**
 - 1.2% cut in 2008 and 1.8% cut in 2009 to operating & capital payments intended to eliminate what CMS claims will be the effect of coding or classification changes
 - After effective lobbying and negotiations, CMS agreed to reduce Behavioral Offset to 0.6% in 2008 and 0.9% in 2009

Back Door Budget Cut

Coding Behavioral Offset IMPACT

- **FY08 \$1.2 billion cut**
- **FY09 \$3.5 billion cut**

FY 2008 Inpatient PPS Rule

Major Polices Addressed:

- **Diagnosis-Related Groups (DRGs) changes**
 - 2nd year of 3 year transition from charge-based DRG weights to cost-based weights
 - 2/3 of each weight will be based on an estimation of costs and 1/3 based on charges in FY 2008
 - Increase in cost centers used to calculate costs from 13 to 15 groups
 - ☐ Breaking out Emergency Room and Blood Products from “other services”

FY 2008 Inpatient PPS Rule

Major Polices Addressed:

- **Diagnosis-Related Groups (DRGs) changes**
 - 745 new Medicare-Severity DRGs to replace current 538 DRGs.
 - Overhaul based on presence or absence of complications and/or comorbidities
 - Reclassification into three-tier payment for each diagnosis based on the presence of:
 - ✓ A major complication or comorbidity
 - ✓ A complication or comorbidity
 - ✓ No complication or comorbidity

FY 2008 Inpatient PPS Rule

Major Polices Addressed:

- **Example of Diagnosis-Related Groups (DRGs) changes**
 - Current System Adult Pneumonia Patient can be grouped into either:
 - DRG 089 (Simple Pneumonia and Pleurisy, Age Greater than 17 with CC) or
 - DRG 090 (Simple Pneumonia and Pleurisy, Age Greater than 17 without CC)
 - New System Divides Diagnosis Codes into 3 Different levels of CC severity
 - MS-DRG 193 (Simple Pneumonia and Pleurisy with Major CC)
 - MS-DRG 194 (Simple Pneumonia and Pleurisy with CC) or
 - MS-DRG 195 (Simple Pneumonia and Pleurisy without CC/MCC)

FY 2008 Inpatient PPS Rule

Major Polices Addressed:

- **Implications of MS-DRGs Changes For Rural**
 - Although changes are budget neutral, they will significantly redistribute money across hospitals
 - Larger Urban and Teaching Hospitals tend to treat more complex cases will tend to increase revenue
 - Smaller and Rural Hospitals will see lower patient severity as rated by CMS
 - CMS will phase in MS-DRGs over 2 years beginning Oct 1, 2008

FY 2008 Inpatient PPS Rule

- **Capital Payments**
 - Payments for all urban hospitals frozen (0.8% cut) and elimination of large urban capital payment add-on (3% cut).
 - Payment update for rural hospitals (0.8% increase).
- **Hospital-Acquired Conditions**
 - Oct 1, 2008 CMS will not provide higher payments for following events:
 - Object left in during surgery
 - Air embolism
 - Blood incompatibility
 - Catheter-associated urinary tract infections
 - Pressure Ulcers
 - Vascular Catheter-Associated Infections
 - Mediastinitis after Coronary Artery Bypass Graft
 - Hospital-Acquired Injuries (Fractures, Dislocations, Intracranial Injury, Crushing Injury and Burns)

FY 2008 Inpatient PPS Rule

- **Requirement to disclose physician ownership**
 - Written disclosure of physician ownership in hospital, including list of physician investors
 - Disclosure required at beginning of hospital stay or outpatient visit
- **Requirement to inform patients of physician availability**
 - Applies for hospitals that do not have a physician on site 24/7
 - Notice must describe how the hospital will meet any emergency service needs when a doctor is not on the premises.
 - Disclosure required at registration and/or pre-admission testing

FY 2008 Inpatient PPS Rule

- **Low-Volume Hospitals (Rural Hospital Specific)**

- Section 406 of the MMA created payment adjustment for hospitals 25 miles from another facility with fewer than 800 total discharges annually (both Medicare and non-Medicare patients)
 - CMS will only maintain the 25% increase in payments to hospitals with fewer than 200 discharges annually.
 - Only 2 hospitals in the country will qualify under the criteria for FY 2008

FY 2008 Proposed Outpatient PPS Rule

Major Polices Addressed:

- **CAH Distance Requirement**

- Proposal would require a CAH-operated provider-based facility created after January 1, 2008 comply with the CAH distance requirement of 35-mile drive to nearest hospital
 - If CAH acquired or creates an off-campus facility after January 1, 2008, that does not satisfy the CAH distance requirements, CMS proposes to terminate CAH status
 - LHA submitted comments in opposition to this change!

FY 2008 Proposed Outpatient PPS Rule

Major Polices Addressed:

- **Co-Location of CAHs**
 - Necessary provider CAH no longer be permitted to enter into co-location arrangements with hospitals unless such arrangements were in effect on or before January 1, 2008
 - CMS Concern that CAHs may co-locate with PPS hospitals, including physician-owned specialty hospitals or with other CAHs
 - LHA submitted comments in opposition to this change!

FY 2008 Proposed Outpatient PPS Rule

- **Conditions of Participation**
 - Medical History & Physical Exam: Revisions would require an updated examination, including any changes in patient's condition, to be completed and documented for each patient after admission or registration and prior to surgery or to a procedure requiring anesthesia services
 - Post-Anesthesia Evaluation: Revisions would ensure all patients have post-anesthesia evaluation before discharged or transferred from recovery area
- **Rural Hospital Adjustment**
 - Continue current policy of 7.1% payment increase for rural SCHs for all services and procedures paid under the OPSS

CY 2008 Proposed Outpatient PPS Rule

- **Reporting Outpatient Quality Data**
 - Reporting on 10 Quality Measures
 - To receive full marketbasket update for FY 2009, hospitals must complete Notice of Participation form by November 15, 2007 and begin reporting the 10 outpatient quality measures on January 1, 2008
- **Transitional Corridor Payments**
 - When OPPS payment is less than the payment the provider would have received under previous reasonable cost-based system, the amount of payment is increased by 85% of the amount of that difference for CY 2008

CY 2008 Proposed Outpatient PPS Rule

- **Observation Services**
 - Proposed packaging the cost of observation services reported with HCPCS code G0378 and revise the criteria for reporting to retain:
 - Observation time must be documented in medical record
 - Beneficiary's time to observation begins with admission to observation bed
 - Time to observation ends when all clinical or medical interventions have been completed
 - Beneficiary must be under care of physician during period of observation, as documented in medical record
 - Medical record must include documentation that physician explicitly assessed patient risk to determine beneficiary would benefit from observation care

CY 2008 Proposed Outpatient PPS Rule

- **CAH Victory!!!**
 - September 7, 2007 – CMS issued new guidelines for hospital relocation

An IPPS & OPPS Update

How to Deal with Changes in New Regulations...



Speaker Contact Information:
Rebecca Bradley, Rural Health Director
Louisiana Hospital Association
RBradley@LHAOnline.org