

April 27, 2021

## CMS Releases Hospital Inpatient, LTCH Proposed Payment Rule for FY 2022

*CMS proposes to increase IPPS rates by 2.8% and LTCH rates by 1.4%*

The Centers for Medicare & Medicaid Services late today issued its hospital inpatient prospective payment system and long-term care hospital PPS [proposed rule](#) for fiscal year 2022. AHA staff are reviewing the rule.

A high-level summary with highlights of the proposed rule, as well as an [AHA statement](#) that was shared with the media, follow. Watch for a more detailed summary tomorrow.

### IPPS PROPOSED RULE

CMS' proposed rule would increase Medicare inpatient prospective payment system rates by a net 2.8% in fiscal year 2022, compared to FY 2021, for hospitals that are meaningful users of electronic health records and submit quality measure data. In addition, the rule would repeal the requirement to report certain payer-negotiated rates and make changes to the Graduate Medical Education program and related payments, and quality measurement and value programs.

CMS proposes to repeal the requirement it had finalized last year that hospitals report their median payer-specific negotiated rates for inpatient services, by Medicare Severity- Diagnosis Related Group, for Medicare Advantage organizations. CMS also proposes to repeal the market-based MS-DRG relative weight methodology it had planned to implement in FY 2024; instead, it would continue using its existing cost-based methodology. In addition, the agency would use FY 2019 data, rather than FY 2020 data, in approximating expected FY 2022 inpatient hospital utilization for weight-setting purposes.

In addition, CMS proposes to implement several provisions of the Consolidated Appropriations Act, including distributing 1,000 new Medicare-funded medical residency positions. CMS also proposes to implement the Promoting Rural Hospital GME Funding Opportunity, which would allow certain rural training hospitals to receive a GME cap increase.

As a result of the ongoing COVID-19 public health emergency, CMS proposes to extend its "New COVID-19 Treatments Add-on Payments" through the end of the fiscal year in which the PHE ends.

Also in light of the COVID-19 PHE, CMS proposes adjustments to its hospital quality measurement and value programs. Specifically, for FY 2022, CMS proposes to suppress (i.e., not use) most hospital value-based purchasing program measures. As a result, hospitals would receive neutral payment adjustments under the VBP for FY 2022. In addition, CMS proposes to exclude performance data from 2020 in calculating Hospital Acquired Condition Reduction Program performance for FYs 2022 and 2023. Lastly, for the FY 2023 Hospital Readmissions Reduction Program, CMS proposes to suppress the pneumonia readmissions measure, and to exclude COVID-19 diagnosed patients from the remaining five measures.

CMS will accept comments on the proposed rule through June 28. AHA members will receive a Special Bulletin tomorrow with further details on the rule.

**AHA Take:** In a statement shared with the media, AHA Executive Vice President Tom Nickels said AHA looks forward to reviewing in detail CMS' proposals.

“Based on our initial review, we are very pleased CMS is proposing to repeal the requirement that hospitals and health systems disclose privately negotiated contract terms with payers on the Medicare cost report. We have long said that privately negotiated rates take into account any number of unique circumstances between a private payer and a hospital and their disclosure will not further CMS's goal of paying market rates that reflect the cost of delivering care. We once again urge the agency to focus on transparency efforts that help patients access their specific financial information based on their coverage and care.

“In addition, we applaud CMS for proposing to extend the add-on payment for new COVID-19 treatments through the year in which the current public health emergency ends. This will help hospitals and health systems continue to treat COVID-19 patients and save lives. We are also pleased CMS is proposing to implement the 1,000 new Medicare-funded medical residency positions that were added by Congress last year and we look forward to reviewing this proposal in more detail. The AHA has long advocated for increasing the number of Medicare-funded residency slots to help ease current physician shortages and bolster the foundation of our health care system.

“Finally, we are heartened CMS recognizes the COVID-19 pandemic has resulted in non-representative performance in its hospital quality measurement and value programs, requiring temporary policy adjustments. We will work with the agency to ensure its finalized policies assess hospitals in a fair and transparent manner.”

## **LTCH PROPOSED RULE**

Under CMS' proposed rule, overall aggregate payments for LTCHs would increase by 1.4% (\$52 million) relative to FY 2021 payments. This includes payment increases for all LTCH cases, both those paid under the “standard” LTCH PPS as well as “site-neutral” cases, which are projected to account for 10% of aggregate LTCH payments in FY 2022. Of note, CMS proposes to adjust several standard calculations to avoid factoring the impact of the COVID-19 pandemic into its proposed FY 2022 payment update. For the

LTCH Quality Reporting Program, CMS proposes to adopt a measure assessing COVID-19 vaccination among health care personnel beginning in FY 2023. Comments to CMS are due by June 28. AHA members will receive a Special Bulletin tomorrow with more details.