Kansas Hospital ASSOCIATION

Summary of CMS
FY 2022 LTCH PPS Final Rule

The Centers for Medicare & Medicaid Services (CMS) yesterday issued the fiscal year (FY) 2022 final rule for the inpatient and long-term care hospital (LTCH) prospective payment systems (PPS).

Highlights from the rule follow:

Key Takeaways

The final rule:

- Increases net LTCH payments by 1.1% ($42 million) in FY 2022.
- Calculates FY 2022 payments using data from FY 2019, instead of FY 2020.
- Expands the LTCH Quality Reporting Program to assess the rate of COVID-19 vaccination among health care personnel.

FY 2022 Payment Update

When considering all LTCH provisions in the rule, CMS estimates that in FY 2022, compared to FY 2021, aggregate net spending on LTCH services will increase by 1.1%, or $42 million.

To account for the impact of the COVID-19 public health emergency (PHE) on LTCH claims and other data in FY 2020, this rule modified CMS' standing methodology used to calculate specific elements of the annual payment update. Specifically, the rule uses pre-PHE data from FY 2019 to set FY 2022 payment rates, instead of FY 2020 data. This modification is based on the agency's belief "that the utilization patterns reflected in the FY 2020 LTCH claims data were significantly altered by the COVID-19 PHE." In addition, the rule states that "data from before the COVID-19 PHE will better approximate the FY 2022 LTCH experience." As such, final FY 2022 payments were calculated using FY 2019 claims instead of FY 2020 claims. For example, these FY 2019 data are used to calculate the inpatient PPS rates and factors that determine the "IPPS comparable amount" used by the LTCH short-stay outlier and site neutral payment policies.

Standard Rate Update. For FY 2022, this rule updates CMS' prior estimate of the cases that will be paid a LTCH PPS standard rate (versus a site-neutral rate) from 75% to 90%. FY 2022 payments for this category of LTCH cases will increase by a net 0.9% (or $31 million) in FY 2022 compared to FY 2021. This update includes a 2.6% market-basket update that is offset by a statutorily mandated cut of 0.7 percentage points for productivity, a 0.8% cut for high-cost outlier (HCO) payments and a reduction for short-stay outlier cases. Thus, the standard rate in FY 2022 increases from the current rate of $43,755.34 to $ 44,713.67.

With regard to updating the a high-cost outlier fixed-loss amount for LTCH standard rate cases, CMS acknowledges that the FY 2020 LTCH claims were significantly impacted by the COVID-19 PHE. As a result, the agency's final LTCH HCO fixed-loss amount for FY 2022, $33,015, was calculated using LTCH claims data from the March 2020 update of the FY 2019 claims file. This increase is intended to reduce the number of HCO cases, and thereby maintain a HCO pool of 7.975% of aggregate payments to LTCHs, as required by law.

Site-neutral Rate Update. CMS estimates that in FY 2022, 25% of all LTCH discharges and 10% of aggregate LTCH payments will fall in the site-neutral category of the LTCH PPS two-tiered payment policy. For this category of cases, the rule yields a net increase of 3.0% (or $11 billion) over FY 2021. Site-neutral payment rates are paid the lower of the inpatient PPS-comparable per-diem amount, including any outlier payments, or 100% of the estimated cost of the case. For FY 2022, the HCO threshold for site-neutral cases will continue to mirror that of the inpatient PPS threshold: $30,988.

For FY 2022, all site-neutral cases will receive the full site-neutral payment rate, instead of the prior 50/50 blend of LTCH PPS and site-neutral rates. We note that, as required by statute, the cost of the last two years of the blended-rate (cost reporting periods starting in FYs 2018 and 2019) is offset by a 4.6% payment cut to site-neutral payments in FYs 2018 through 2026. This offset is explained in CMS Transmittal 4046.

LTCH Quality Reporting Program

COVID-19 Vaccination among Health Care Personnel (HCP) Measure**.** CMS finalized its proposal to adopt a quality measure assessing the rate of COVID-19 vaccination among HCP beginning with the FY 2023 LTCH QRP. This process measure, which will also be adopted in other clinical settings, evaluates the percentage of HCP eligible to work in the LTCH for at least one day during the reporting period who received a complete vaccination course; it excludes persons with contraindications to COVID-19 vaccination as described by the CDC. LTCHs will submit data through the CDC National Healthcare Safety Network submission framework, which LTCHs currently use to report other data. LTCHs will be required to submit this data for at least one week each month, and the CDC will calculate a summary measure of the data each quarter. This rate will be publicly reported on the LTCH *Care Compare* website.

The measure is not endorsed by the National Quality Forum, but CMS notes in the final rule that the agency and the CDC plan to submit the measure for consideration this fall. Despite the lack of testing or development of this measure, CMS considered it necessary to adopt the measure as soon as possible "given the novel nature of the SARS-CoV-2 virus, and the significant and immediate risk it poses in LTCH s." LTCHs beginning on Oct. 1, 2021, will be required to submit data and their performance will be publicly reported beginning with the October 2022 *Care Compare* refresh.

Other LTCH Quality Reporting Program (QRP) Proposals**.** CMS will update the denominator of the Transfer of Health Information to the Patient (TOH-Patient) measure to exclude patients discharged to their homes under the care of a home health agency or hospice. This measure, first adopted in the FY 2020 LTCH PPS final rule to begin reporting with the FY 2022 LTCH QRP, evaluates the timely transfer of a medication list to the patient, family, and/or caregiver at the time of discharge to the home, board and care home, assisted living, group home, transitional living, home under the care of a home health agency or hospice. A similar measure, Transfer of Health Information to the Provider, was adopted in the same rule and assesses whether the medication list was transferred to a subsequent facility. However, both measures count patients discharged to the home under the care of a home health agency or hospice; to avoid counting the patient in both measures, CMS will remove these patients from the denominator of the TOH-Patient measure.

CMS also finalized its proposal to begin public reporting for two measures, Compliance with Spontaneous Breathing Trial by Day 2 of the LTCH Stay and Ventilator Liberation Rate, beginning with the March 2022 *Care Compare* refresh. The inaugural display of the measures will use data collected in Q3 of 2020 through Q2 of 2021, and then four rolling quarters of data thereafter. These measures were first adopted in the FY 2018 IPPS/LTCH PPS final rule, and data collection began with assessments for patients admitted and discharged on or after July 1, 2018.

Finally, CMS finalized its proposals regarding publicly reported data affected by COVID-19 reporting exemptions. In March 2020, CMS issued guidance granting an exception to the LTCH QRP reporting requirements from the last quarter of 2019 through the second quarter of 2020, stating that the agency would not publicly report any LTCH QRP data that might be greatly impacted by the exceptions from the first two quarters of 2020.

In addition, CMS determined that freezing the data displayed on the *Care Compare* website – that is, holding the data constant after the October 2020 refresh without update – would be the best way to account for exempted data reporting. However, these data are increasingly out-of-date and less useful. Therefore, CMS will calculate assessment-based measures using data from Q3 of 2020 through Q1 of 2021 and claims-based measures using Q4 of 2018 through Q4 of 2019 and Q3 of 2020 for the January 2022 *Care Compare* refresh. Beginning with the April 2022 refresh, CMS will resume reporting with four quarters of data for assessment-based measures; public reporting based on eight quarters of data for claims-based measures would resume with the October 2023 refresh.