LTCH Payment Reform & Patient Criteria

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Overview

Objectives

- What happened?
- Describe new LTACH payment system and new patient criteria for full LTACH reimbursement, including implementation timeline
- Describe the overall effect on LTACH sector
- Look ahead to the changing landscape over the next 5+ years
- How do you prepare for the changing LTACH landscape?
What Happened: Context

**Forces at work:**

- Congressional tax and health committees needed money to stop large, imminent cuts in reimbursements to Medicare physicians
- Bipartisan agreement in Congress to revamp physician payment system ... early next year
- Bipartisan agreement to reform post-acute care as part of physician payment reform
- CMS and MedPAC jointly pursuing research into patient criteria for LTACHs
- LTACHs looking to preserve their niche
What Happened: Opportunity

Moment of opportunity:
- Budget negotiators announced a bipartisan agreement
- Tax and health committees needed a short term “patch” to stop physician payment cuts for a few months
- LTACH reforms get hitched to the bipartisan budget bill

President Obama signed the bipartisan budget bill, with the LTACH payment reforms, into law on December 26.
New Rules: Overview

**Patient criteria:**
- LTACH reimbursement rates preserved for selected patients

**Site-neutral payments:**
- All other patients reimbursed at the comparable inpatient prospective payment system rate

**Other:**
- 25% rule relief
- Reinstatement of moratorium on new LTACH beds and hospitals
- New LTACH quality measure
**Patient Criteria**

**LTACH reimbursement rate preserved for two kinds of patients:**

1. Critical care patients: Patients whose prior short-term acute care hospital stay included 3+ days in ICU or CCU.
2. Ventilator patients: Patients discharged from the LTACH assigned to an LTACH diagnosis-related group of cases requiring 96+ hours on a ventilator (MS-LTC-DRG 207).

**LTACH-rate patients also:**

- Must be admitted to the LTACH immediately following discharge from an inpatient PPS hospital.
Patients reimbursed at rates equivalent to an inpatient PPS hospital:

- Patients who do not meet LTACH criteria
- Patients with a psychiatric or rehabilitation principal diagnosis
Site-neutral payment rate is the lower of:

1. the IPPS-comparable per diem payment plus outlier payments (as appropriate) currently used to calculate certain short-stay outlier payments, or
2. 100% of the estimated cost for services
Payment system changes begin in FY 2016

- Site-neutral payment system takes effect for cost reporting periods beginning on or after October 1, 2015.

Two-year transition in FY 2016 & FY 2017

- Site-neutral discharges reimbursed at half IPPS-comparable rate and half LTACH rate for cost reporting periods beginning October 1, 2015, through September 30, 2017.

Site-neutral payments go into full effect in FY 2018

- Site-neutral discharges paid at IPPS-comparable rates for cost reporting periods beginning on or after October 1, 2017.
Excluded from 25-day average length of stay calculation:

- Discharges paid on a site-neutral basis
- Patients reimbursed under Medicare Advantage

**Effective:** October 1, 2015 (FY 2016)
**50% rule:**

- At least 50% of all discharges must be reimbursed at LTACH rates to preserve facility’s eligibility for LTACH reimbursements (i.e., 50% critical care or vent patients).
- If not, all discharges for future cost reporting periods will be paid at IPPS-comparable rates.
- CMS will establish a process for LTACHs that miss the 50% target to reinstate their eligibility for LTACH reimbursement.

**Effective:** cost reporting periods beginning **October 1, 2019 (FY 2020)**

- Medicare will inform LTACHs of their “LTCH discharge payment percentage” with cost reporting periods beginning October 1, 2015.
Other: 25% Rule

Grandfathered LTACHs permanently exempted from 25% rule

Four-year extension of 25% rule relief
- 50% threshold applied to hospitals-within-hospitals and satellites
- Freestanding LTACHs exempt
- Study continued need for 25% rule in light of other reforms

Effective: October 1, 2013 - September 30, 2017 (FY 2014 through FY 2017)
Reinstate moratorium on new LTACH beds and facilities

**Effective:** January 1, 2015 - September 30, 2017 (CY 2015 through FY 2017)

New LTACH quality measure (est. October 2015)
- Change in mobility for patients requiring ventilator support
Effect on Medicare Reimbursement

Source: Congressional Budget Office
Payment Reform: Planning

LTACH patient criteria

- Measure current MS-LTC-DRG 207 discharges
  - 11.5% of discharges in 2011 (MedPAC, June 2013)
  - 14.4% of LTRAX discharges in 2013
- Start tracking ICU/CCU admissions

Site-neutral payment

- Identify patients with primary psychiatric or rehabilitation diagnosis
- Expect additional details through CMS rule-making processes
Looking Ahead

**Known change for LTACHs over 5+ years:**
- Ongoing quality reporting
- Added quality reporting
- Transition to ICD-10
- Transition to patient criteria & site-neutral payment system
- New 50% rule

**Unknown changes:**
- Additional quality reporting
- Public reporting of quality outcomes
- Additional post-acute reforms
- Value-based purchasing
### Looking Ahead: Timeline

<table>
<thead>
<tr>
<th>Date/Month</th>
<th>Event Description</th>
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<tbody>
<tr>
<td><strong>Today</strong></td>
<td>• Ongoing quality reporting: CAUTI &amp; CLABSI (NHSN), pressure ulcers (LTCH CARE Data Set), 30-day readmission rates (claims)</td>
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<td><strong>July 2014</strong></td>
<td>• Transition to revised LTCH CARE Data Set (v. 2.01)</td>
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<td><strong>October 2014</strong></td>
<td>• Add flu vaccination data collection (healthcare personnel &amp; patients)</td>
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<tr>
<td><strong>October 2014</strong></td>
<td>• Transition to ICD-10</td>
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<tr>
<td><strong>January 2015</strong></td>
<td>• Add MRSA &amp; C. diff quality reporting</td>
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<tr>
<td><strong>October 2015</strong></td>
<td>• Vent mobility quality measure established</td>
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<td><strong>October 2015</strong></td>
<td>• Begin blended payments for transition to site neutrality</td>
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<td><strong>October 2015</strong></td>
<td>• 50% rule monitoring begins (informational)</td>
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<tr>
<td><strong>January 2016</strong></td>
<td>• Add falls with major injury quality reporting ***</td>
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<td><strong>October 2016</strong></td>
<td>• CMS feedback on 30-day readmission rates begins</td>
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<td><strong>October 2017</strong></td>
<td>• Begin full site-neutral payment system</td>
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<td><strong>October 2017</strong></td>
<td>• LTCH moratorium lifts</td>
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<td><strong>October 2017</strong></td>
<td>• 25% rule relief ends</td>
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<td><strong>October 2019</strong></td>
<td>• 50% rule enforcement</td>
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<tr>
<td><strong>October 2019</strong></td>
<td>• LTACH beds &amp; facilities moratorium reinstated</td>
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<tr>
<td><strong>January 2019</strong></td>
<td>• 50% rule enforcement</td>
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*FY* (Financial Year)
Impact of forthcoming changes:

- Systems
- People
- Processes

Analysis of operations:

- Pre-admission through discharge
- Efficiency and effectiveness
  - Financial
  - Quality/Compliance
Preparation: Things to Consider

**Systems:**
- Capabilities
  - Admissions
  - Case management
  - Clinical
  - Quality
- Available information
  - Financial
  - Compliance
- Knowledge and use

**People:**
- Roles and responsibilities
- Competency
  - Training and education
- Oversight
Preparation: What is your plan?

**Business development:**
- Referral relationships
  - Patient population in current market
- Admission strategies
  - Patient population
  - Expected volume
  - Comparison of current vs. future state

**Clinical operations:**
- Documentation and coding
- Case management model
- Clinical quality
- Potential payment cuts
Preparation: What is your plan?

Finance:
- Average cost per day
  - Patient type
- Revenue
- Payment-reform risk

Quality:
- Compliance
- Payment reduction
- Value-based purchasing
Questions?
assistance@ltrax.com

Next Call: February 6, 2014
Wounds: Clinical Application of Quality Reporting