LTCH Payment Reform & Patient Criteria

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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.
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
Site-Neutral Payment

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
Site-Neutral Payment: Timeline

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.
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
**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
<table>
<thead>
<tr>
<th>Date</th>
<th>Event</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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<tr>
<td>July 2014</td>
<td>Transition to revised LTCH CARE Data Set (v. 2.01)</td>
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<td>October 2014</td>
<td>Add flu vaccination data collection (healthcare personnel &amp; patients)</td>
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<td>Transition to ICD-10</td>
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<td>October 2014 (FY  2015)</td>
<td>Add MRSA &amp; C. diff quality reporting</td>
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<td>LTACH beds &amp; facilities moratorium reinstated</td>
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<td>January 2015</td>
<td>Vent mobility quality measure established</td>
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<td>Begin blended payments for transition to site neutrality</td>
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<td>50% rule monitoring begins (informational)</td>
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<tr>
<td>October 2015 (FY 2016)</td>
<td>Add falls with major injury quality reporting ***</td>
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<td>CMS feedback on 30-day readmission rates begins</td>
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<td>October 2017</td>
<td>Begin full site-neutral payment system</td>
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<tr>
<td>(FY 2018)</td>
<td>LTCH moratorium lifts</td>
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<td>25% rule relief ends</td>
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<tr>
<td>October 2019</td>
<td>50% rule enforcement</td>
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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
**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