

April 11, 2023

## CMS Releases FY 2024 Long-term Care Hospital PPS Proposed Rule

The Centers for Medicare & Medicaid Services (CMS) on April 10 issued the [proposed rule](#) for the inpatient and long-term care hospital (LTCH) prospective payment systems (PPS) for fiscal year (FY) 2024. This Special Bulletin reviews highlights of the LTCH provisions in the rule, while the inpatient PPS provisions are covered in a separate Special Bulletin.

### KEY HIGHLIGHTS

The proposed rule would:

- Decrease net LTCH payments by 0.9%, or \$24 million, in FY 2024, relative to prior levels.
  - CMS estimates that standard LTCH PPS payments would decrease by 2.5%, or \$59 million, compared to FY 2023. This is largely due to a 4.7% cut related to outlier payments.
  - CMS estimates that site-neutral LTCH PPS payments would increase by 10.8%, or \$35 million, compared to FY 2023.
- Adopt two new quality measures and modify another.

### AHA TAKE

The AHA is deeply concerned with CMS' woefully inadequate proposed update for LTCH payment rates of a staggering *negative* 2.5%. This insufficient adjustment is simply unsustainable given the near decades-high inflation and increased costs LTCHs have been facing for labor, equipment, drugs and supplies.

2022 was the most financially challenging year for hospitals during the pandemic, with half of hospitals finishing the year with a negative operating margin. So far, this worrying trend has continued in 2023, most recently with reports of record high hospital defaults. The AHA has repeatedly requested that CMS and the Administration remedy shortcomings in its previous market basket forecasts for hospitals. For example, CMS' LTCH payment update was 2.9 percentage points less than what actual market basket inflation was in 2022.

Layering these inadequate inflationary adjustments on top of Medicare's existing underpayments to hospitals does not reflect the reality of the world in which hospitals are providing care. Without more substantial updates in the final rule, LTCHs' ability to continue caring for patients and providing essential services for their communities will be threatened.

Highlights from the rule follow.

## **LTCH PPS PAYMENT CHANGES**

**Overall Proposed FY 2024 Payment Update.** When considering all proposed LTCH provisions in the rule, CMS estimates that aggregate net spending on LTCH services would decrease by \$24 million in FY 2024 compared to FY 2023. CMS estimates that in FY 2024, standard-rate cases would account for 68% of LTCH cases, with site-neutral cases accounting for the remaining 32%.

**Update for Standard LTCH PPS Rate Cases.** CMS proposes to update payments for standard rate cases by a net *negative* 2.5% (or \$59 million) in FY 2024 compared to FY 2023. This update includes a 3.1% market-basket update that would be offset by a statutorily mandated cut of 0.2 percentage point for productivity, a cut of 4.7 percentage points for high-cost outlier (HCO) payments, and other adjustments. The proposed FY 2024 standard rate is \$47,948.15.

**HCO Threshold.** CMS proposes to increase the FY 2024 HCO threshold for standard-rate cases to \$94,378, a very large increase over the FY 2023 HCO threshold of \$38,518. CMS states this increase is necessary in order to maintain the statutory 7.975% HCO pool. Specifically, it estimates that standard rate outlier payments in FY 2023 will be approximately 12.7% of estimated total LTCH PPS standard rate payments in FY 2023, even though only 7.975% was withheld as the outlier pool. Thus, CMS states it must raise the threshold significantly in order to get back to the 7.975% pool. That said, it acknowledges the significant magnitude of the increase it has proposed and actively solicits comments on its outlier methodology.

Lastly, CMS proposes to calculate the proposed LTCH PPS HCO threshold using the most recently available MedPAR charge data — from FYs 2021 and 2022.

**Update for Site-neutral Rate Cases.** CMS proposes to update net payments for site-neutral cases by 10.8% (or \$35 million) compared to FY 2023. 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 2024, the proposed HCO threshold for site-neutral cases would continue to mirror that of the proposed inpatient PPS threshold, \$40,732.

Because the public health emergency will end on May 11, so too will the statutory requirement that all LTCH cases be paid the standard rate. Therefore, all FY 2024 site-neutral cases will be paid the site-neutral rate. However, we note that site-neutral cases prior to FY 2020 had been paid a 50/50 blend of LTCH PPS and site-neutral rates. 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.

AHA analyses have found that site-neutral cases are underpaid by CMS, both under the prior blended rate and the current full site-neutral rate. This finding contrasts with CMS' ongoing position that the costs and resource use cases paid at the site-neutral payment rate will likely mirror the costs and resource use for IPPS cases assigned to the same MS-DRG.

## **LTCH QUALITY REPORTING PROGRAM (QRP)**

CMS proposes to adopt two new measures as well as a modified version of an existing measure while removing two measures. CMS also proposes to begin public reporting of two previously adopted measures. The agency also seeks information on selecting measures for future years of the LTCH QRP and provides an update on its work on health equity.

**Modified COVID-19 Vaccination Coverage among Healthcare Personnel (HCP) Measure.** Beginning with the FY 2025 LTCH QRP, CMS would modify the current HCP COVID-19 Vaccination measure used in the LTCH QRP. The current measure assesses the number of HCP who have received a complete vaccination course against COVID-19; in this rule, CMS proposes to replace the definition of “complete vaccination course” with a definition of “up to date” with CDC recommended COVID-19 vaccines. The agency proposes this modification to incorporate new CDC guidance related to booster doses and their associated timeframes.

CMS does not propose any changes to the data submission or reporting processes for this measure. Compliance with the FY 2025 LTCH QRP would be based on reporting of individuals who are up to date beginning in quarter four of calendar year 2023. Public reporting of the modified version of the measure would begin with the September 2024 Care Compare refresh or as soon as technically feasible.

**Adoption of Discharge Function Score Measure.** Beginning with the FY 2025 LTCH QRP, CMS would adopt this outcome measure that estimates the percentage of LTCH patients who meet or exceed an expected discharge score during the reporting period. The score is calculated by summing individual function item values at discharge, while the expected score is computed by risk-adjusting the observed discharge function score for each LTCH stay. The measure is not endorsed by a consensus-based entity.

**Removal of Overlapping Discharge Function Measures.** CMS proposes to remove two measures from the LTCH QRP beginning in FY 2025 as the agency believes the newly proposed Discharge Function Score measure better measures functional outcomes. If finalized, CMS would remove the following measures:

- Application of Percent of Long-Term Care Hospital Patients with an Admission and Discharge Functional Assessment and a Care Plan that Addresses Function

- LTCH Patients with an Admission and Discharge Functional Assessment and a Care Plan

**Adoption of Percent of Patients/Residents who are Up to Date with COVID-19 Vaccination Measure.** Beginning with the FY 2026 LTCH QRP, CMS proposes to adopt this assessment-based process measure that reports the percent of stays in which patients in an LTCH are up to date on their COVID-19 vaccinations per the CDC's latest guidance. The measure has no exclusions, including for patients who were offered a vaccine and refused or for patients who have medical contraindications to the vaccine. CMS would publicly report measure performance on Care Compare.

**Public Reporting.** Beginning with the September 2024 Care Compare refresh, CMS proposes to publicly display data for the previously adopted Transfer of Health Information to the Patient and Transfer of Health Information to the Provider measures.

**Proposed Increase in Data Completion Thresholds.** Beginning with the FY 2026 LTCH QRP, CMS would require LTCHs to report 100% of the required quality measure data and standardized assessment data collected using the LTCH CARE Data Set (LCDS) tool on at least 90% (instead of 80%) of assessments submitted to CMS. If LTCHs do not meet this requirement, they would be subject to a 2 percentage point reduction to their applicable FY annual payment update.

**Request for Information.** CMS invites feedback on principles for selecting and prioritizing LTCH QRP quality measures and concepts under consideration for future years. In addition, the agency requests input on gaps in the LTCH QRP measure set as well as potential new measure concepts, including cognitive function, behavioral and mental health, patient experience and satisfaction, and chronic conditions and pain management.

**Health Equity Update.** CMS provides an update on its work to address disparities in health outcomes, including its consideration of including social determinants of health as part of new quality measures.

## NEXT STEPS

CMS will accept comments on the LTCH proposed rule through June 9.

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