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Special Bulletin

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AHA Summary of CMS FY 2022 LTCH PPS Proposed Rule

The Centers for Medicare & Medicaid Services (CMS) yesterday issued the fiscal year (FY) 2022 proposed rule for the inpatient and long-term care hospital (LTCH) prospective payment systems (PPS). This Special Bulletin reviews highlights of the LTCH provisions in this rule, while the inpatient PPS provisions are covered in a separate Special Bulletin.

AHA Take: The brief LTCH provisions in this rule set forth required payment updates and minimal changes. We appreciate that the streamlined rule allows LTCHs to continue to focus on the COVID-19 public health emergency (PHE). We will closely examine the elements of the proposed payment update, which contains exceptions to the standard rate-setting calculations in order to account for the impact of the PHE. We remain concerned that implementation of the full site-neutral payment policy continues to challenge some LTCHs – especially as site-neutral payments, on average, do not cover the cost of care.

Key Takeaways

The proposed rule would:

- Increase net LTCH payments by 1.4% ($52 million) in FY 2022.
- Adapt certain methodologies used to calculate the annual payment update in order to account for the impact of the COVID-19 PHE.
- Expand the LTCH Quality Reporting Program to assess the rate of COVID-19 vaccination among health care personnel.
- Seek input from the field on several issues, including potential changes to patient assessment data collection to help address health equity concerns and reduce health disparities.

Highlights from the rule follow.

FY 2022 Payment Update

When considering all proposed LTCH provisions in the rule, CMS estimates that aggregate net spending on LTCH services would increase by 1.4%, or $52 million, in FY 2022 compared to FY 2021.

The rule proposes to modify several of CMS' standing methodologies used to calculate specific elements of the annual payment update. Specifically, it would use pre-PHE data to set FY 2022 payment rates. 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, proposed payments for FY 2022 were calculated, in part, using FY 2019 claims and cost reports instead of FY 2020 data. For example, CMS proposes to use FY 2019 data to calculate the LTCH high-cost outlier threshold. In addition, these FY 2019 data would be used in calculating 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. CMS reports that 75% of all LTCH discharges are paid a LTCH PPS standard rate – the same level as last year. CMS proposes to update payments for this category of cases by a net 1.2% (or $41 million) in FY 2022 compared to FY 2021. This update includes a 2.4% market-basket update that would be offset by a statutorily mandated cut of 0.2% for productivity, and a 0.8% cut for high-cost outlier (HCO) payments. Thus, the proposed FY 2022 standard rate would increase to $44,827.87. The HCO threshold would increase to $32,680 in order to reduce the number of HCO cases, and thereby maintaining a HCO pool of 7.975% of aggregate payments to LTCHs, as required by law.

Site-neutral Rate Update. CMS finds that 25% of all LTCH discharges are paid an LTCH site-neutral rate – the same level reported last year. For this category of cases, the rule would yield a net increase of 3.0% (or $11 billion) compared to 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 proposed HCO threshold for site-neutral cases would continue to mirror that of the proposed inpatient PPS threshold: $30,967. As in FY 2021, CMS again projects that site-neutral payments would account for 10% of all Medicare payments to LTCHs in FY 2022.

For FY 2022, all site-neutral cases would continue to 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.

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 for FY 2021 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. As such, we recognize that some LTCHs are facing challenges due to site-neutral payments not covering the cost of providing care, as indicated by the drop in the number of LTCHs reported in this rule (363) in comparison to those in the FY 2019 final rule (417).

LTCH Quality Reporting Program

COVID-19 Vaccination among Health Care Personnel (HCP) Measure. CMS proposes to adopt one new measure beginning with the FY 2023 LTCH Quality Reporting Program (QRP). The measure, also proposed in all other clinical settings, would assess the rate of COVID-19 vaccination among HCP. This process measure would evaluate the cumulative number of HCP eligible to work in the LTCH for at least one day during the reporting period who received a complete vaccination course; it would exclude persons with contraindications to COVID-19 vaccination as described by the Centers for Disease Control and Prevention (CDC). LTCHs would submit data through the CDC National Healthcare Safety Network submission framework, which LTCHs currently use to report other measures. LTCHs would submit this data for at least one week each month, and the CDC would calculate a summary measure of the data each quarter. This rate would be publicly reported on the LTCH *Care Compare* website.

The measure is not endorsed by the National Quality Forum and has not been submitted to the NQF for consideration, although it was reviewed by the NQF's Measure Applications Partnership in this most recent cycle. Despite the lack of testing or development of this measure, CMS considered it necessary to propose 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 LTCHs." If finalized, LTCHs would be required to submit data beginning Oct, 1, 2021, and performance would be publicly reported beginning with the September 2022 *Care Compare* refresh.

Other LTCH Quality Reporting Program (QRP) Proposals. CMS proposes to 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 would remove these patients from the denominator of the TOH-Patient measure.

CMS proposes 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 would 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 offers a few 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 December 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 proposes to calculate assessment-based measures using data from Q2 through Q4 of 2019 and claims-based measures using Q1-Q4 of 2018 and Q3 through Q4 of 2019 for the December 2021 *Care Compare* refresh.

Request for Information—Fast Healthcare Interoperability Resource (FHIR): CMS is seeking feedback on the agency's future plans to adopt a standardized definition of "digital quality measures" and on the potential use of FHIR. FHIR is a free and open source standards framework that establishes a common language and process for all health information technology.

Request for Information—Health Equity: CMS is seeking comment on the possibility of revising measure development and the collection of standardized patient assessment data elements (SPADEs) that address gaps in health equity. Specifically, the agency invites public comment on recommendations for quality measures or measurement domains that address health equity, ways to reduce disparities and improve patient outcomes, and the challenges to capture and use relevant health data for improving health equity.

NEXT STEPS

CMS will accept comments on the LTCH proposed rule through June 28. The final rule is typically published around Aug. 1, and will take effect Oct. 1. Watch for a more detailed analysis of this rule. In addition, AHA's LTCH members will receive an invitation for a call to discuss the rule and inform AHA's comments.

Please contact Rochelle Archuleta, director of policy, at rarchuleta@aha.org for questions on payment provisions, and Caitlin Gillooley, senior associate director of policy, at cgillooley@aha.org for quality-related questions.