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Implementation of the Long Term Care Hospital (LTCH) Discharge Payment Percentage (DPP) Payment Adjustment

MLN Matters Number: MM11616

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Related Change Request (CR) Number: 11616

Effective Date: Cost reporting periods beginning on or after October 1, 2019

Implementation Date: July 6, 2020

PROVIDER TYPES AFFECTED

This MLN Matters Article is for hospitals that submit claims to Medicare Administrative Contractors (MACs) for inpatient hospital services provided to Medicare beneficiaries by Long Term Care Hospitals (LTCHs).

WHAT YOU NEED TO KNOW

CR 11616 prepares the Medicare claims processing systems to calculate the LTCH Prospective Payment System (PPS) payment when an LTCH is subject to the Discharge Payment Percentage (DPP) payment adjustment. Please be sure your billing staffs are aware of these updates.

BACKGROUND

Beginning with LTCHs' Fiscal Year (FY) 2016 cost-reporting periods, the Social Security Act (the Act) requires LTCHs to be notified of their DPP, which is the ratio (expressed as a percentage) of the LTCHs' fee-for-service (FFS) discharges that received LTCH PPS standard Federal rate payment to the LTCHs' total number of Medicare discharges under 42 CFR Part 412, Subpart O, LTCH PPS discharges.

Section 1886(m)(6)(C) of the Act, as added by Section 1206 of the Pathway for Sustainable Growth Reform (SGR) Act of 2013 (Pub. L. 113-67), imposes several requirements related to an LTCH's DPP.

For cost-reporting periods beginning on or after October 1, 2019, an LTCH shall be informed when its DPP for the cost-reporting period is not at least 50 percent and all of the LTCH's discharges in each successive cost-reporting period shall be paid an adjusted amount, subject to the LTCH's compliance with the process for reinstatement. The adjusted payment amount is the full Inpatient Prospective Payment System (IPPS) comparable amount. This policy is implemented by 42 CFR 412.522(d) and the requirements were implemented in the FY 2020

IPPS/LTCH PPS Final Rule at 84 FR 42439.

For example, if the DPP for its FY 2020 cost reporting period is not at least 50 percent (when calculated during its FY 2022 cost reporting period), the LTCH will be subject to the payment adjustment, applied to all discharges, for its FY 2023 cost reporting period (i.e., the first cost reporting period after its DPP for a cost reporting period had been calculated to not have been at least 50 percent).

MACs will continue to calculate the DPP, upon settlement of all LTCHs, using existing policies and procedures. MACs will also continue to notify an LTCH that its DPP is not at least 50 percent for cost reporting period, and that notification must include a statement that the discharges in the LTCH's succeeding cost reporting periods will be subject to the DPP payment adjustment until the requirements for full reinstatement or probationary reinstatement are met, along with the effective date that the DPP payment adjustment will begin.

For cost-reporting periods subject to the DPP payment adjustment, the payment for all discharges (that is, both LTCH PPS standard Federal payment rate and site neutral payment rate discharges) is an amount equivalent to the IPPS amount, including any additional payment for high-cost outlier cases based on the IPPS fixed-loss amount in effect at the time of the LTCH discharge (see 42 CFR Section 412.522(d)(4)). The amount equivalent to the IPPS amount is determined under 42 CFR sections 412.529(d)(4)(i)(A) and (d)(4)(ii) and (iii), which are the basis of the "IPPS comparable *per diem* amount" used to calculate short-stay outlier payments and site neutral payment rate payments (or, the amount equivalent to the IPPS amount under the DPP payment adjustment is the "full" IPPS comparable amount and not the per diem).

The DPP payment adjustment will be calculated by the LTCH PPS Pricer for all LTCH discharges in cost-reporting periods subject to the adjustment. The LTCH PPS Pricer will use a new LTCH DPP Indicator field in the Provider Specific File (PSF) to indicate whether the LTCH is subject to the DPP payment adjustment for a given period. MACs will review the LTCH DPP Indicator field to ensure that it correctly reflects whether or not the LTCH is subject to the DPP payment adjustment effective for discharge in a given cost-reporting period. This includes reviewing for the discontinuation of the DPP payment adjustment under the reinstatement processes provided in regulations at 42 CFR 412.522(d)(5) and (6)(i). It also includes review for the application of the DPP payment adjustment during settlement when an LTCH fails to meet the requirements of the special probationary reinstatement at the end of the cost-reporting period in which the DPP payment adjustment would have otherwise applied (see 42 CFR 412.522(d)(6)(ii)).

Under the full reinstatement process at 42 CFR 412.522(d)(5), the DPP payment adjustment for an LTCH's discharges will be discontinued with the discharges occurring in the cost-reporting period after the LTCH's DPP is calculated to be at least 50 percent. For example, an LTCH that did not have a DPP of at least 50 percent during its FY 2020 cost-reporting period will be subject to the DPP payment adjustment for all discharges occurring during its FY 2023 cost-reporting period. However, if the DPP for its FY 2021 cost-reporting period equals at least 50 percent, the calculation (and notification thereof) of such percentage would be made during FY 2023, and the payment adjustment will be discontinued beginning with discharges occurring at the start of its FY 2024 cost-reporting period.

We note that this policy is based on cost reporting periods, is cyclical in nature, and, as such, an LTCH that has been reinstated would be subject to the DPP payment adjustment again (in a future cost reporting period) if its discharge payment percentage is again calculated not to meet the required threshold.

The special reinstatement process at 42 CFR 412.522(d)(6) includes a probationary cure period under which an LTCH may have the payment adjustment delayed during the applicable cost-reporting period if, for the period of at least 5 consecutive months of the 6-month period immediately preceding the beginning of the cost-reporting period during which the adjustment would apply, the DPP is calculated to be at least 50 percent. This cure period is consistent with policy for the average length-of-stay determination found at 42 CFR 412.23(e)(3)(ii).

Under such circumstances, the LTCH will not ultimately be subject to the payment adjustment for the cost reporting period during which the adjustment would have otherwise applied as long as the DPP for *that cost reporting period* is at least 50 percent. If the DPP for *that cost reporting period* is not at least 50 percent, the DPP payment adjustment will be applied to all the discharges that occurred in that cost reporting period at settlement.

For example, an LTCH with a calendar year cost reporting period that does not have a DPP of at least 50 percent during its FY 2020 cost reporting period would be informed of this during its FY 2022 cost reporting period. The DPP payment adjustment would then apply during its FY 2023 cost reporting period. However, if in the 6-month period immediately preceding the cost reporting period for which the payment adjustment would apply (July 1, 2022 through December 31, 2022), the LTCH had a discharge payment percentage of at least 50 percent for at least 5 consecutive months of that 6-month period, application of the DPP payment adjustment will be delayed during the FY 2023 cost reporting period (that is, the DPP payment adjustment will not be applied to any discharges that occur during the FY 2023 cost reporting period). However, if the DPP that is ultimately calculated for that FY 2023 cost reporting period (the period for which the DPP payment adjustment would have applied if the LTCH had not met the requirements during the probationary cure period) is not at least 50 percent, at cost report settlement the payment adjustment delay will be lifted, and the DPP payment adjustment will be applied to payments made for all of the LTCH's discharges that occurred during the FY 2023 cost reporting period.

See the attachment to CR 11616 for the following additional detailed examples:

- LTCH with a Federal Fiscal Year (FY) cost reporting period
- LTCH with a September 1st cost-reporting period
- LTCH with a 9 month ("short") cost reporting period

ADDITIONAL INFORMATION

The official instruction, CR 11616, issued to your MAC regarding this change is available at https://www.cms.gov/files/document/r4529cp.pdf.

If you have questions, your MACs may have more information. Find their website at http://go.cms.gov/MAC-website-list.

DOCUMENT HISTORY

Date of Change	Description
February 18, 2020	Initial article released.