

Executive Summary: CMS FY 2020 IPPS Final Rule

Key Financial and Operational Impacts from the Final FY 2020 IPPS Rule

The 2020 IPPS (Inpatient Prospective Payment System) Final Rule was made available on August 2, 2019. A detailed summary of the rule will be available on [HFMA Regulatory Summary Page](#) shortly. The Centers for Medicare and Medicaid Services (CMS) estimates that the total impact of all policy changes will increase payments to IPPS hospitals by \$3.8 billion in FY 2020 (a 3.0% increase compared to the 2019 IPPS final rule). This is down from a proposed increase of \$4.7 billion (a 3.7% increase compared to the 2019 IPPS final rule).

- 1) **Base Operating Rate:** The final base operating rate is increased by approximately 3.1%¹ (3.0% market basket update reduced by .4% productivity factor mandated by the ACA, increased by .5% for prior reductions for documentation and coding) for hospitals that successfully participate in the Inpatient Quality Reporting Program (IQR) and are meaningful users of electronic health records.

FY 2020 Final Rule Tables 1a-1c

| | Standardized Operating Amounts Wage Index > 1 | | Standardized Operating Amounts Wage Index < 1 | |
|--|--|------------|--|------------|
| | Labor | Non-Labor | Labor | Non-Labor |
| Submitted Quality Data and Is a Meaningful User (2.6% Update) | \$3,962.17 | \$1,838.96 | \$3,596.70 | \$2,204.43 |
| Did Not Submit Quality Data and Is a Meaningful User (1.85% Update) | \$3,933.21 | \$1,825.52 | \$3,570.41 | \$2,188.32 |
| Submitted Quality Data and Is Not a Meaningful User (.35% Update) | \$3,875.28 | \$1,798.63 | \$3,517.82 | \$2,156.09 |
| Did Not Submit Quality Data and Is Not a Meaningful User (-.4% Update) | \$3,846.32 | \$1,785.19 | \$3,491.54 | \$2,139.97 |
| Puerto Rico | N/A | N/A | \$3,596.70 | \$2,204.43 |

¹ Before budget neutrality and other adjustments.

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Note that the standardized amounts do not include the 2% Medicare sequester reduction that began in 2013.

- 2) **National Capital Rate:** The final national capital rate for FY2020 is \$462.61.
- 3) **Wage Index:** CMS finalizes multiple changes to the wage index to address “disparities” between high- and low-wage index hospitals.
 - First, the rule increases the wage index for hospitals with a wage index value below the 25th percentile wage index value for a fiscal year by half the difference between the otherwise applicable final wage index value for a year for that hospital and the 25th percentile wage index value for that year across all hospitals. The policy would be effective for at least four years to allow employee compensation increases implemented by these hospitals enough time to be reflected in the wage index calculation. To offset the cost of increasing payments to low-wage index hospitals, the rule applies a uniform budget neutrality adjustment to the standardized amount.
 - Second, CMS will remove urban-to-rural hospital reclassifications from the calculation of the rural floor wage index value beginning in FY 2020.
 - Finally, to protect hospitals from significant decreases in wage index (and therefore payments), CMS is implementing a 5% cap on any decrease in a hospital’s wage index in a budget neutral manner. This will also result in a budget neutrality adjustment to the standardized amount.
- 4) **Disproportionate Share Hospitals (DSH):** The final rule uses a single year of data on uncompensated care costs from Worksheet S-10 for FY 2015 to determine Factor 3 for FY 2020. In response to comments, CMS states it may return to using multiple years of uncompensated care data from the S-10 in the future.

Further, CMS will only continue to use data regarding low-income insured days (Medicaid days for FY 2013 and FY 2017 SSI days) to determine the amount of uncompensated care payments for hospitals in Puerto Rico and Indian Health Service and Tribal hospitals.

CMS projects the uncompensated care pool will increase by \$78 million in FY 2020 compared to what was distributed in FY 2019. The increase is a result of increased base rates in the final rule and slight projected increases in Medicare case mix. The final rule assumes the uninsured rate will remain the same in 2020 (9.4%) as in 2019 (9.4%).

Following the publication of the final rule, hospitals will have until August 31, 2019 to review and submit comments on the accuracy of the impact table and supplemental data file published in conjunction with this final rule. CMS believes the supplemental data file reflects the most recent available data in HCRIS (June 30, 2019 extract) at the time of development of this final rule.

- 5) **Changes to Calculation for New Technology Add-On Payment (NTAP):** The final rule increases the maximum amount of the NTAP (for devices other than those that receive Qualified Infectious

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Disease Program (QIDP) status) to 65% for qualifying items. Specifically, if the costs of a discharge involving a new technology exceed the full DRG payment, Medicare will make an add-on payment equal to the lesser of:

- 1) 65% of the costs of the new medical service or technology; or
- 2) 65% of the amount by which the costs of the case exceed the standard DRG payment. This is a 15-percentage point increase from the current maximum NTAP payment, which is 50% of the costs or amount described above.

For qualifying new technologies that receive Qualified Infectious Disease Program (QIDP) status, Medicare will make an add-on payment equal to the lesser of:

- (1) 75% of the costs of the new medical service or technology; or
- (2) 75% of the amount by which the costs of the case exceed the standard DRG payment.

These policies are effective for discharges beginning on October 1, 2019. CMS estimates that this will increase NTAP payments by approximately \$94 million in FY 2020.

- 6) **Alternative NTAP Qualifying Pathway:** The final rule adopts a policy for NTAP applications received for IPPS new technology add-on payments for FY 2021 and subsequent fiscal years that if the medical device is part of the U.S. Food & Drug Administration's (FDA) Breakthrough Devices Program and receives marketing authorization, the device would be considered new and not substantially similar to an existing technology for purposes of new technology add-on payment under the IPPS.

Because the technology may not have a sufficient evidence base to demonstrate substantial clinical improvement at the time of FDA-marketing authorization, CMS also finalizes that the medical device would not need to meet the requirement that it represent an advance that substantially improves, relative to technologies previously available, the diagnosis or treatment of Medicare beneficiaries.

CMS adopts the same policy for add-ons related to new technology products that have received the FDA's QIDP designation.

- 7) **Outlier Threshold:** The final fixed loss outlier threshold increases to \$26,473 (compared to the FY 2019 final threshold of \$25,769), which will decrease outlier payments.
- 8) **Documentation and Coding:** CMS continues a six-year add-back related to prior year documentation and coding reductions by increasing operating payments by .5% for FY 2020. Absent changes in legislation, this increase will continue annually through FY 2023.
- 9) **Hospital Readmissions Reduction Penalty (HRRP):** Hospitals with higher-than-expected readmissions rates over a three-year period for acute myocardial infarction, heart failure, pneumonia, COPD, elective knee/hip replacement and coronary artery bypass grafting will be

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subject to a maximum 3% penalty. The rule estimates that in FY 2020, 2,583 hospitals will be subject to the HRRP. This will result in \$563 million in savings to the Medicare program.

10) **Value Based Purchasing (VBP) Program:** The final FY 2020 IPPS rule will redistribute approximately \$1.9B in operating payments through the VBP program. All hospitals will be subject to a 2% reduction in base operating DRG payments. Starting with the CY 2020, data collection the Hospital VBP Program will use the same data used by the HAC Reduction Program for purposes of calculating the Centers for Disease Control and Prevention (CDC) National Health Safety Network (NHSN) Healthcare-Associated Infection (HAI).

11) **Inpatient Quality Reporting Program:** The final rule makes the following changes:

- a. Adopt a new opioid-related electronic clinical quality measure (eCQM) – Safe Use of Opioids – Concurrent Prescribing eCQM (NQF #3316e), beginning with the CY 2021 reporting period/FY 2023 payment determination. CMS did not finalize the proposed Hospital Harm – Opioid-Related Adverse Events eCQM.
- b. Adopt the Hybrid Hospital-Wide Readmission Measure with Claims and Electronic Health Record Data (NQF #2879), beginning with two years of voluntary reporting periods running from July 1, 2021 through June 30, 2022, and from July 1, 2022 through June 30, 2023, before requiring reporting of the measure for the reporting period that will run from July 1, 2023 through June 30, 2024, impacting the FY 2026 payment determination and for subsequent years.
- c. Remove the Claims-Based Hospital-Wide All-Cause Unplanned Readmission Measure (NQF #1789) (HWR claims-only measure) beginning with the FY 2026 payment determination.
- d. Extend the current eCQM reporting and submission requirements for the CY 2020 reporting period/FY 2022 payment determination and CY 2021 reporting period/FY 2023 payment determination.
- e. Change the eCQM reporting and submission requirements for the CY 2022 reporting period/FY 2024 payment determination, such that hospitals would be required to report one self-selected calendar quarter of data for three self-selected eCQMs, and the Safe Use of Opioids – Concurrent Prescribing eCQM, for a total of four eCQMs.
- f. Continue requiring that EHRs be certified to all available eCQMs used in the Hospital IQR Program for the CY 2020 reporting period/FY 2022 payment determination and subsequent years.

12) **Promoting Interoperability:** CMS finalizes the following changes to the Medicare Promoting Interoperability programs:

- a. Eliminate the requirement that for the FY 2020 payment adjustment year, for an eligible hospital that has not successfully demonstrated it is a meaningful EHR user in a prior year, the EHR-reporting period in CY 2019 must end before and the eligible hospital must successfully register for, and attest to meaningful use, no later than the October 1, 2019 deadline.

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- b. Establish an EHR-reporting period of a minimum of any continuous 90-day period in CY 2021 for new and returning participants (eligible hospitals and CAHs) in the Medicare Promoting Interoperability Program and attest to CMS.
- c. Require that the Medicare Promoting Interoperability Program measure actions must occur within the EHR-reporting period beginning with the EHR-reporting period in 2020.
- d. Revise the Query of PDMP measure to make it an optional measure worth five bonus points in CY 2020, remove the exclusions associated with this measure in CY 2020, require a yes/no response instead of a numerator and denominator for CY 2019 and CY 2020 and clearly state CMS's intended policy that the measure is worth a full five bonus points in CY 2019 and CY 2020.
- e. Change the maximum points available for the e-Prescribing measure to 10 points beginning in CY 2020, in the event CMS finalizes the proposed changes to the Query of PDMP measure.
- f. Remove the Verify Opioid Treatment Agreement measure beginning in CY 2020 and clearly state CMS's intended policy that this measure is worth a full five bonus points in CY 2019.
- g. Revise the Support Electronic Referral Loops by Receiving and Incorporating Health Information measure to more clearly capture the previously established policy regarding certified electronic health record technology (CEHRT) use.

Further, the final rule aligns the Promoting Interoperability Programs reporting requirements for CQMs with the requirements under the hospital IQR. Specifically, these are:

- a. Adopt one opioid-related CQM (Safe Use of Opioids – Concurrent Prescribing CQM beginning with the reporting period in CY 2021 (CMS does not finalize its proposal to add the Hospital Harm – Opioid-Related Adverse Events CQM).
- b. Extend current CQM reporting and submission requirements for the reporting periods in CY 2020 and CY 2021.
- c. Establish CQM reporting and submission requirements for the reporting period in CY 2022, which will require all eligible hospitals and CAHs to report on the Safe Use of Opioids – Concurrent Prescribing eCQM beginning with the reporting period in CY 2022.

- 13) **Long-Term Care Hospital (LTCH) PPS Standard Federal Rate:** The final rule increases the standard federal rate by 2.5%² to \$42,677.63 for LTCHs that submit quality data. The reduced rate, for those that don't submit quality data is \$41,844.89 (.5% increase³). CMS estimates this and other changes will increase payments to LTCHs by \$43 million in 2020.

² Before budget neutrality and other adjustments.

³ Before budget neutrality and other adjustments.