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Centers for Medicare and Medicaid Services (CMS) Issues Proposed Rule to Update Fiscal Year 2015 Hospital Payment Policies

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On April 30, the U.S. Department of Health and Human Services Centers for Medicare and Medicaid Services (CMS) published a proposed rule to update fiscal year 2015 payment policies for hospital services under the Inpatient Prospective Payment System (IPPS) and the Long-Term Care Hospital Prospective Payment System.

More than 1,600 pages long, the proposed rule would make a number of significant changes both to reimbursement and to policies affecting hospitals. Proposed changes include:

- A net 1.3% increase in hospital IPPS operating rates (2.7% market basket increase less reductions for such things as a proposed documentation and coding recoupment adjustment required by the American Taxpayer Relief Act of 2012, the "fiscal cliff" deal enacted early in 2013). CMS proposes a net 0.8% increase in Medicare payment rates for long-term care hospitals.

- An update to labor market areas by moving the most recent labor market area designations issued by the Office of Management and Budget (OMB) based on 2010 census data. CMS proposes transition periods for hospitals that would be adversely affected by changes from urban to rural designation.

- To meet a requirement of the Affordable Care Act, CMS is proposing hospital price transparency guidelines directing hospitals to make public either a list of their standard charges or policies allowing the public to view a list of standard charges upon request. (Wisconsin law requires its own version of price transparency.)

- Hospitals that fall into the top quartile (poorest performance) with respect to hospital acquired conditions will see a 1% decrease in their IPPS rates.

- Also as required by the Affordable Care Act, the proposed rule would update the Hospital Value-Based Purchasing Program, the Readmissions Reduction Program, as well as revising various quality reporting measures.

- CMS is soliciting comments on the design of an alternative payment methodology for short hospital stays.

- The proposed rule also would affect Critical Access Hospitals (CAH). CAHs that may switch from urban to rural areas as a result of OMB re-designations based on 2010 census data will be given two years to reclassify as rural in order to maintain CAH status. In addition, CMS proposes changing the timing of the required physician certification that a patient may reasonably be expected to be discharged with 96 hours of admission to a CAH. Current regulations require the physician to make that certification before discharge; the proposed rule would allow the physician to complete the certification no later than one day before the date the CAH submits the claim for payment.

CMS will accept comments on the proposed rule until June 30, 2014 and expects to publish a final rule by August 1, 2014.

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