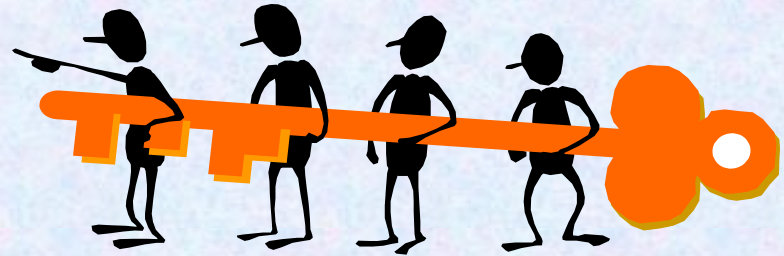


# Introduction

Long-Term Care Hospital  
Prospective Payment System

# LTCH PPS Training Resources

- Today's agenda and slides
- Training Guide
- CMS's Medicare Learning Network
  - [www.cms.gov/medlearn/ltchpps.asp](http://www.cms.gov/medlearn/ltchpps.asp)
- Key training points identified



# Overview

Long-Term Care Hospital  
Prospective Payment System

# Overview (2)

- Objectives

- Identify statutory basis for the implementation of the LTCH PPS
- Identify impacted hospitals
- Gain a high-level understanding of the LTCH PPS components and how they interrelate

# Payment

- Objectives
  - Payment Part I
    - Understand background and components
  - Payment Part II
    - Understand case-level adjustments
  - Payment Part III
    - Understand facility-specific adjustments



# Clinical Issues

- Objectives
  - Highlight clinical-related background
  - Emphasize importance of correct coding
  - Identify responsibility for medical review
  - Explore interrupted stay impact on medical record

# Billing

- Objectives

- Identify LTCH PPS billing effective date
- Identify requirements not affected by LTCH PPS
- Understand applicable acute care hospital PPS requirements
- Introduce new billing requirements
- Understand transition period billing

# Background

- BBRA of 1999 amended by BIPA of 2000
  - Implement budget neutral, per discharge PPS for LTCHs based on DRGs
  - Cost reporting periods beginning on or after October 1, 2002
  - Replaces reasonable cost-based TEFRA payment system



# Affected Medicare Providers

- LTCHs
  - Certified as short-term acute care hospitals excluded from IPPS
  - Having an average length of stay greater than 25 days
  - Identified by last four digits of Medicare provider number “2000” through “2299”
  - Meet State licensure for acute care hospitals

# Hospitals Not Affected

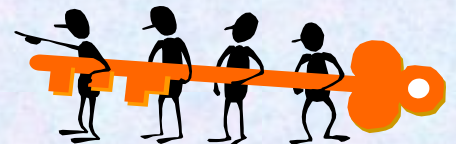
- Hospitals not subject to LTCH PPS
  - Veterans Hospitals
  - Reimbursed under State cost control system
  - Reimbursed in accordance with demonstration projects
    - Two of four Maryland demonstration hospitals
  - Non-participating Medicare hospitals
  - Foreign Hospitals

# New Average Length of Stay

- Cost reporting periods on or after 10/01/02
  - Average length of stay based on LTCH Medicare inpatients' total days
    - Continues to count covered and non-covered days
  - Excludes non-Medicare (other payers') covered days

# Payment Provisions

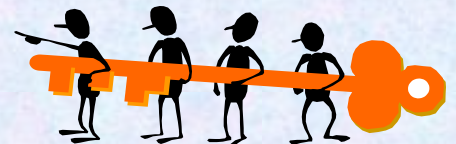
- Per discharge Federal rates
  - Based on average LTCH costs in a base year updated for inflation
  - Updated annually
- Three primary payment drivers
  - Patient classification into LTC-DRG
  - Relative weight of the LTC-DRG
  - Federal payment rate





# Payment Provisions (2)

- Secondary payment drivers
  - Case-level adjustments
    - Short stay outliers
    - Interrupted stays
    - High cost outliers
  - Facility-level adjustments
    - Area wage index
    - COLA
  - Co-located provider policy





# Payment Classification System

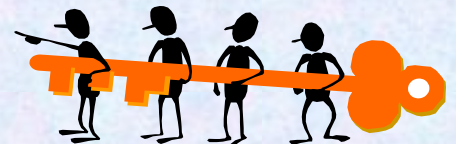
- LTC-DRGs
  - Based on the existing IPPS DRGs
  - Grouped using ICD-9-CM codes
- Relative weights
  - Assigns a specific value representing the relative resource use
  - Normalizes charges
  - Will be updated annually

# Payment Adjustments

- LTCH PPS case-level adjustments
  - Short-stay outliers
  - Interrupted stays
  - High Cost Outliers
- LTCH PPS facility-level adjustments
  - Area wage adjustment
  - COLA
- Co-located providers

# Short Stay Outliers

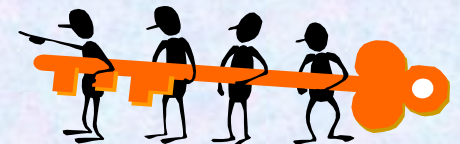
- Length of stay less than or equal to  $\frac{5}{6}$  of LTC-DRG geometric average length of stay
- Paid least of
  - 120% cost of case
  - 120% LTC-DRG specific per diem amount
  - Full LTC-DRG payment
- No retroactive adjustments for cost-to-charge ratio changes



# Interrupted Stays

- Admitted upon discharge to inpatient acute care hospital, IRF or SNF/Swing Bed and returns to same LTCH within a fixed period of time
  - Becomes one discharge and one payment

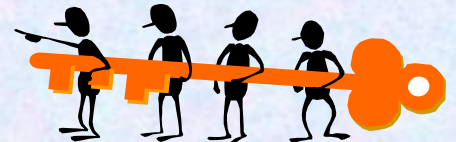
Facility Type	Days
Inpatient Hospital	$\leq 9$
IRF	$\leq 27$
SNF/Swing Bed	$\leq 45$





# High Cost Outliers

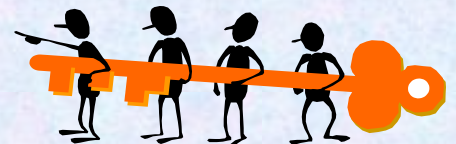
- Additional payment for exceeding outlier threshold
  - LTC-DRG payment + Fixed-loss amount
- Paid at 80% of costs above outlier threshold
  - Costs determined using charges from claim and hospital-specific cost-to-charge ratio
  - No retroactive adjustments for changes to cost-to-charge ratio





# Facility-Level Adjustments

- LTCH PPS does not include the following “typical” facility-level adjustments found in other PPS
  - Rural location
  - Geographic reclassification
  - Disproportionate share (DSH)
  - Indirect medical education (IME)



# Facility-Level Adjustments (2)

- Labor and Wage
  - Area wage index
  - Cost of living adjustment (COLA) for Alaska and Hawaii

# Co-located Provider Policy

- Hospital-within-hospitals
- Satellite facilities
- Onsite SNFs, IRFs, etc.

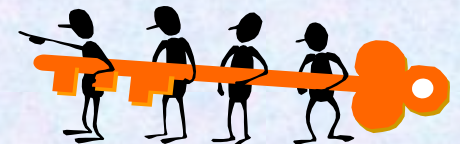
# Budget Neutrality

- Total payments must equal the amount that would have been paid if the PPS had not been implemented

# Implementation Phase-in

- 5-year phase-in period
- Irrevocable opportunity to elect payment based on 100% of Federal rate
- *New* providers are not eligible for blended transition payments

Year	TEFRA Rate	Federal Rate
1	80%	20%
2	60%	40%
3	40%	60%
4	20%	80%
5	0%	100%





# Beneficiary Liability

- Cannot be billed for difference between cost and payment if a full LTC-DRG payment is made
- Can be charged for
  - Deductibles
  - Coinsurance
  - Noncovered services

# Benefit Utilization

- Beneficiary must have covered benefit days at time of admission
- Medicare will pay only for covered days
  - Until the length of stay exceeds “short-stay outlier” threshold
    - »Generates a full LTC-DRG payment
  - At that point, the stay will be covered by Medicare until the high cost outlier threshold is reached

# Billing Changes

- Use new coding at transition
  - One claim per stay
    - Interim billing and high cost outliers similar to acute care hospital PPS
    - Stays crossing transition may need cancels and/or adjustments
    - Use coding for interrupted stays
  - Most other requirements unchanged

# Billing Implementation

Examples:

<b>Cost Report Period Start Date on</b>	<b>New Coding Applicable to Discharges on and after</b>
10/01/02	01/01/03
10/01/02	01/01/03

# Standard System Delay

- FI and CWF processing will not be ready until at least January 1, 2003
  - Submit claims with required new coding or hold
    - Mass adjustments will be done by FI at a later date
- Providers must still comply with HIPAA Administrative Simplification Compliance Act
  - Unless exemption obtained



# Medical Review

- Provider must have an agreement with QIO
  - Quality and admission review
- Also subject to FI medical review
  - Targeted through Progressive Corrective Action (PCA)
- Days failing medical review will be excluded from the qualification for meeting the 25-day ALOS