

Hospitals Offer Mixed Response To Proposed Hospital Inpatient Payment Rule

CMS published the 2017 hospital inpatient prospective payment system (HIPPS) proposed rule on April 18th. The proposed rule would increase hospital pay rates by 0.7 percent on average, once the myriad policies are taken into consideration. Those policies include changes in uncompensated care pay that would cut pay rates by 0.3 percent, penalties for excess readmissions, a 1.0 percent penalty for hospitals in the worst performing quartile of a program aimed at curbing avoidable infections, penalties and bonuses in the hospital-value based purchasing, and the reversal of previous pay cuts associated with the so-called two midnights policy.

The American Hospital Association, while pleased with CMS's reversal of payment cuts that were part of the original two-midnights policy, criticized what it says is an unexpectedly large pay cut to recoup overpayments.

CMS proposes two changes in addition to its annual rate update for inpatient-hospital payments. Fiscal 2017 is the last year of recouping overpayments required by the American Taxpayer Relief Act of 2012. CMS estimates \$5.08 billion remains of the \$11 billion it must recover to make up for documentation and coding overpayments to hospitals, so it proposes a final 1.5 percent pay cut.

The American Hospital Association and Premier Health say the 1.5 percent pay cut is nearly double what Congress directed CMS to make. Although the 2012

law called for recovering overpayments, the physician payment law that Congress passed last year restricted the pay cut in the last year to 0.8 percent.

However, hospitals are pleased that CMS proposed retroactively undoing pay cuts from 2014 through 2016 it made to account for what agency staff thought at the time was an increase in Medicare expenditures due to the Two Midnight Policy rates. Undoing those earlier pay cuts would increase hospital payments by about 0.8 percent.

The inpatient proposed rule also addresses the value-based payment program that adjusts payments to hospitals for inpatient services based on their performance. The rule proposes to expand the number of hospital units to which two National Healthcare Safety Network measures apply, beginning in fiscal 2019. CMS proposes to expand the cohort used to calculate the 30-day pneumonia mortality measure, beginning in 2021. CMS also proposes adding two condition-specific payment measures: one for acute myocardial infarction and one for heart failure, beginning in 2021, and the agency proposes a 30-day mortality measure following coronary artery bypass grafting surgery, beginning in 2022. The rule also proposes changes for determining the policy that governs whether hospital are excluded from the program when cited for deficiencies that pose immediate jeopardy to the health and safety of patients.