Hospital Inpatient Proposed Rule Phases In Some Pay Cuts

CMS recently proposed increasing payment rates for hospital inpatient services by 0.8 percent in 2014, a move that drew praise from hospitals as CMS moderated some of the pay cuts recently pushed by Congress, including offsets for the short-term physician payment patch included in the January fiscal cliff deal. But hospitals objected to several other pieces of the rule: public hospitals said CMS under-estimated the costs of providing care to the uninsured; specialty hospitals said the readmissions policy punishes hospitals in poor neighborhoods; and long-term care hospitals complained that the rule subjects them to the “25 percent rule.”

Under the CMS proposal, hospitals that report data on quality measures would receive a 2.5 percent market basket pay hike; those that don’t would get a 0.5 percent increase. CMS proposes a productivity cut of 0.4 percent and an additional market basket cut of 0.3 percent, which was mandated by the Patient Protection and Affordable Care Act of 2010. CMS also proposes a 0.8 cut to recoup upcoding, but that is only part of the cut that the fiscal cliff deal requires as CMS is phasing it in.

The proposed rule also would implement a health reform law requirement to reduce Disproportionate Share Hospital pay, which would reduce overall Medicare DSH spending by $1 billion in fiscal 2014.