

Related Change Request (CR) #: 3884

Medlearn Matters Number: MM3884

Related CR Release Date: June 10, 2005

Related CR Transmittal #: 578

Effective Date: July 1, 2005

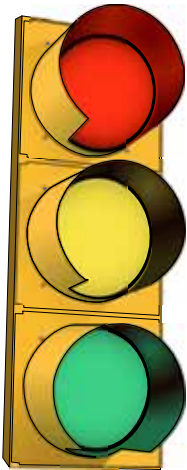
Implementation Date: July 5, 2005

## *Update - Long Term Care Hospital Prospective Payment System (LTCH PPS) for Rate Year 2006*

### Provider Types Affected

Long Term Care Hospitals paid under the LTCH PPS by Medicare Fiscal Intermediaries (FIs).

### Provider Action Needed



#### **STOP – Impact to You**

This article is based on information from Change Request (CR) 3884 which updates the changes to LTCH PPS for Rate Year 2006 (July 1, 2005 - June 30, 2006). The final rule for LTCH PPS was published on May 6, 2005 and may be viewed at: [www.cms.hhs.gov/providerupdate/regs/cms1483F.pdf](http://www.cms.hhs.gov/providerupdate/regs/cms1483F.pdf) on the Centers for Medicare & Medicaid Services (CMS) web site.

#### **CAUTION – What You Need to Know**

CR3884 provides updates to rates, budget neutrality factors, wage indexes, etc., for the new rate year for LTCH PPS.

#### **GO – What You Need to Do**

See the Background Section of this article to find out further details regarding these changes.

### Background

CMS implemented a prospective payment system for Long Term Care Hospitals (LTCHs) under the Medicare program on October 1, 2002, in accordance with provisions of the Medicare, Medicaid, and SCHIP Balanced Budget Refinement Act (BBRA) of 1999, as amended by the Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act (BIPA) of 2000.

Payments under this system are made on a per discharge basis, using Long-Term Care Diagnosis-Related Groups (LTC-DRGs) that take into account differences in resource use of long-term care patients and the most recently available hospital discharge data. CMS is required to update the payments made under this

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prospective payment system annually. However, there are two significant updates for LTCH Prospective Payment System (PPS):

- The Rate Year update, which occurs in July of each year, and
- The Diagnosis Related Groups (DRGs), which are updated in October of each year.

**Rate Year Updates**

The following PRICER Updates are for LTCH PPS rate year (RY) 2006, (July 1, 2005 – June 30, 2006):

- The standard Federal rate is \$38,086.04,
- The fixed loss amount is \$10,501.00,
- The budget neutrality adjustment is 0 percent. (The PRICER payment amount will include the adjustment factor as 1.00.),
- The labor-related share is 72.885 percent,
- The non-labor related share is 27.115 percent,
- The short-stay outlier percentage for “subsection II” LTCHs is 165 percent for this 3<sup>rd</sup> transition year; and
- Core-Based Statistical Area (CBSA) designations will be used for assigning a wage index value for discharges occurring on or after July 1, 2005. There will be no transition blend under LTCH PPS for conversion to the CBSA labor market areas.

The wage index phase-in percentage for cost reporting periods beginning on or after October 1, 2005 is 4/5<sup>ths</sup> (80 percent). The wage index table in the Pricer will include three columns listed in the table below:

Column	Pertaining to	Instructions
2/5 <sup>ths</sup>	Discharges occurring in LTCH cost report periods beginning during Fiscal Year 2004 (October 1, 2003-September 30, 2004)	Which will be 2/5 <sup>ths</sup> of the Core-Based Statistical Area (CBSA) wage index (not the MSA wage index)
3/5 <sup>ths</sup>	Discharges occurring in LTCH cost report periods beginning during Fiscal Year 2005 (October 1, 2004-September 30, 2005)	Which will be 3/5 <sup>ths</sup> of the CBSA wage index (not the MSA wage index)
4/5 <sup>ths</sup>	Discharges occurring in LTCH cost report periods beginning in Fiscal Year 2006 (October 1, 2005-September 30, 2006)	Which will be 4/5 of the CBSA wage index (not the MSA index)

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### LTCH Notification Requirement

Within thirty days of the start of their cost reporting period (and whenever any change occurs during a cost reporting period), LTCHs and satellites of LTCHs must notify their FI and CMS of the name, address, and provider number of any Medicare providers with whom they are co-located, including:

- Acute Care Hospitals,
- Inpatient Rehabilitation Facilities,
- Inpatient Psychiatric Facilities, and
- Skilled Nursing Facilities (SNFs).

Note that a co-located (or onsite) facility means a hospital, unit, or SNF that occupies space 1) in a building used by another hospital or unit or 2) in one or more buildings on the same campus (250 yards from the LTCH), as buildings used by another hospital or unit.

CR3884 instructs your FIs to pay claims with LTCH PPS Pricer Version 060 for discharges/through dates on or after July 1, 2005, and this Pricer will include all Rate Year 2006 updates. In addition, FIs shall maintain and update records on facilities that are co-located.

### Implementation

The implementation date for this instruction is July 5, 2005.

### Additional Information

For complete details, please see the official instruction issued to your intermediary regarding this change. That instruction may be viewed by going to:

[http://www.cms.hhs.gov/manuals/transmittals/comm\\_date\\_dsc.asp](http://www.cms.hhs.gov/manuals/transmittals/comm_date_dsc.asp)

From that web page, look for CR3884 in the CR NUM column on the right, and click on the file for that CR.

If you have any questions, please contact your intermediary at their toll-free number, which may be found at:

<http://www.cms.hhs.gov/medlearn/tollnums.asp>

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