HEALTHCARE REGULATORY ROUND-UP

FY2023 Hospital Inpatient PPS Proposed Rule

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WE ARE AN INDEPENDENT MEMBER OF HLB—THE GLOBAL ADVISORY AND ACCOUNTING NETWORK

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Comment Period

- Released for public inspection on April 18; to be published in Federal Register on May 10
  - CY2023 Hospital Outpatient PPS expected early summer
- Comments due June 17
  - https://www.regulations.gov (CMS-1771-P)
- Comment on the good, the bad, and the ugly (i.e., what's missing)

Agenda

1. Operating and Capital Payment Rates
2. MS-DRG Weights
3. Wage Index
4. Outlier Payments
5. Uncompensated Care Payments
6. Direct Graduate Medical Education
7. Other Payment Adjustments
8. Promoting Interoperability
9. Hospital Inpatient Quality Reporting Program
10. Hospital Value-Based Purchasing Programs
11. Maternity Care Designation
12. Infection Control CoPs
13. Requests for Comment

Hospital IPPS Payment Update

- **3.2%** increase in operating payment rates for IPPS
  - Market basket update of 3.1% reduced by 0.4 percentage point productivity adjustment and increased by 0.5 percentage point adjustment required by statute

FY 2023	Hospital Submitted Quality Data and is a Meaningful EHR User	Hospital Submitted Quality Data and is NOT a Meaningful EHR User	Hospital Did NOT Submit Quality Data and is a Meaningful EHR User	Hospital Did NOT Submit Quality Data and is NOT a Meaningful EHR User
Proposed Market Basket Rate-of-Increase	3.1	3.1	3.1	3.1
Proposed Adjustment for Failure to Submit Quality Data under Section 1886(b)(3)(B)(viii) of the Act	0	0	-0.775	-0.775
Proposed Adjustment for Failure to be a Meaningful EHR User under Section 1886(b)(3)(B)(ix) of the Act	0	-2.325	0	-2.325
Proposed Productivity Adjustment under Section 1886(b)(3)(B)(xi) of the Act	-0.4	-0.4	-0.4	-0.4
Proposed Applicable Percentage Increase Applied to Standardized Amount	**2.7**	**0.375**	**1.925**	**-0.4**

Standardized Amounts Wage Index > 1.0

FY 2023 NPRM Tables 1A-1E								
TABLE 1A. PROPOSED RULE NATIONAL ADJUSTED OPERATING STANDARDIZED AMOUNTS; LABOR/NONLABOR (67.6 PERCENT LABOR SHARE/32.4 PERCENT NONLABOR SHARE IF WAGE INDEX GREATER THAN 1)								
Hospital Submitted Quality Data and is a Meaningful EHR User (Update = 2.7 Percent)		Hospital Submitted Quality Data and is NOT a Meaningful EHR User (Update = 0.375 Percent)		Hospital Did NOT Submit Quality Data and is a Meaningful EHR User (Update = 1.925 Percent)		Hospital Did NOT Submit Quality Data and is NOT a Meaningful EHR User (Update = -0.4		
Labor-related	Nonlabor-related	Labor-related	Nonlabor-related	Labor-related	Nonlabor-related	Labor-related	Nonlabor-related	
$4,269.46	$2,046.31	$4,172.80	$1,999.98	$4,237.24	$2,030.87	$4,140.59	$1,984.54	FY2023
Impact from full update		-2.26%	-2.26%	-0.75%	-0.75%	-3.02%	-3.02%	
$4,138.28	$1,983.43	$4,056.12	$1,944.05	$4,110.89	$1,970.30	$4,028.74	$1,930.93	FY2022
3.17%	3.17%	2.88%	2.88%	3.07%	3.07%	2.78%	2.78%	%Change
Impact from full update		-1.99%	-1.99%	-0.66%	-0.66%	-2.65%	-2.65%	

Standardized Amounts Wage Index ≤ 1.0

TABLE 1B. PROPOSED RULE NATIONAL ADJUSTED OPERATING STANDARDIZED AMOUNTS, LABOR/NONLABOR (62 PERCENT LABOR SHARE/38 PERCENT NONLABOR SHARE IF WAGE INDEX LESS THAN OR EQUAL TO 1)								
Hospital Submitted		Hospital Submitted		Hospital Did NOT		Hospital Did NOT		
Labor-related	Nonlabor-related	Labor-related	Nonlabor-related	Labor-related	Nonlabor-related	Labor-related	Nonlabor-related	
$3,915.78	$2,399.99	$3,827.12	$2,345.66	$3,886.23	$2,381.88	$3,797.58	$2,327.55	FY2023
Impact from full update		-2.26%	-2.26%	-0.75%	-0.75%	-3.02%	-3.02%	
$3,795.46	$2,326.25	$3,720.11	$2,280.06	$3,770.34	$2,310.85	$3,695.00	$2,264.67	FY2022
3.17%	3.17%	2.88%	2.88%	3.07%	3.07%	2.78%	2.78%	%Change
Impact from full update		-1.99%	-1.99%	-0.66%	-0.66%	-2.65%	-2.65%	

Standardized Inpatient Capital PPS Amount

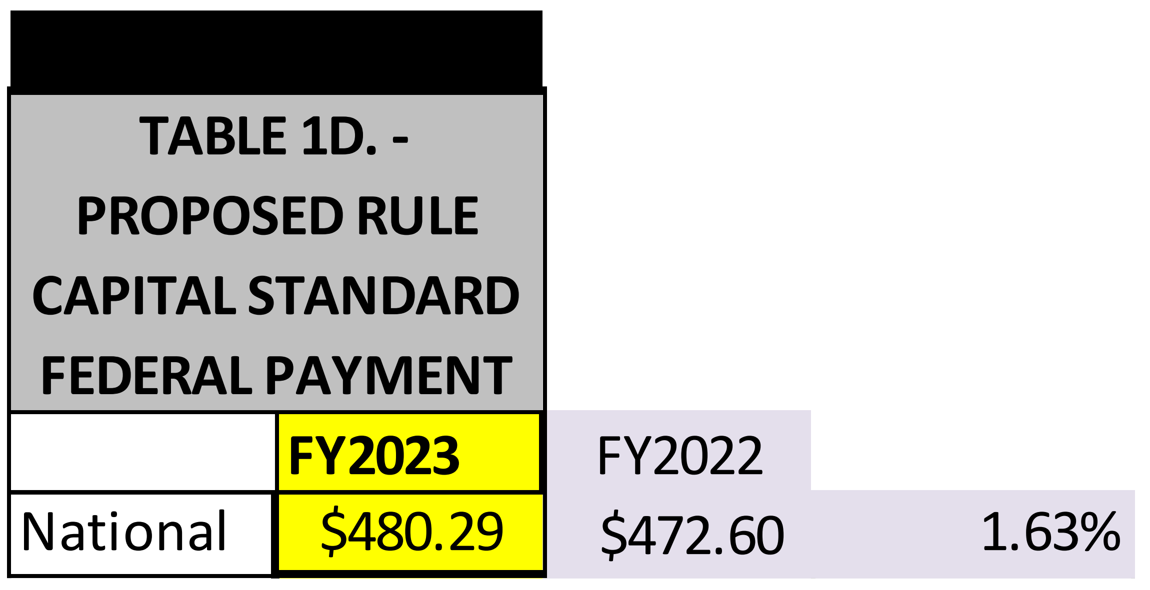

TABLE 1D. - PROPOSED RULE CAPITAL STANDARD FEDERAL PAYMENT			
	FY2023	FY2022	
National	$480.29	$472.60	1.63%

- No separate capital amount for hospitals with wage indices >1.0 compared to those with wage indices <1.0
- Capital payment also will include IME adjustment for teaching hospitals
- Capital DSH adjustment only available for urban facilities

MS-DRG Weight Fluctuations

- Calculation of MS-DRG weights
  - CMS would calculate two sets of weights – one with and one without COVID-19 claims
  - Would then average the two weights to determine FY2023 relative weights
- Proposed 10% cap on weight decreases from prior fiscal year

DRGs with 10% Weight Reduction

MS-DRG	TYPE	MS-DRG Title	2022 FR Weight	2023 PR Weight	Variance
179	MED	RESPIRATORY INFECTIONS AND INFLAMMATIONS WITHOUT CC/MCC	0.8727	0.7854	-10.00%
114	SURG	ORBITAL PROCEDURES WITHOUT CC/MCC	1.4476	1.3028	-10.00%
710	SURG	PENIS PROCEDURES WITHOUT CC/MCC	1.6016	1.4414	-10.00%
757	MED	INFECTIONS, FEMALE REPRODUCTIVE SYSTEM WITH MCC	1.5247	1.3722	-10.00%
178	MED	RESPIRATORY INFECTIONS AND INFLAMMATIONS WITH CC	1.2078	1.087	-10.00%
624	SURG	SKIN GRAFTS AND WOUND DEBRIDEMENT FOR ENDOCRINE, NUTRITIONAL AND METABOLIC DISORDERS WITHOUT CC/MCC	1.0989	0.989	-10.00%
017	MED	AUTOLOGOUS BONE MARROW TRANSPLANT WITHOUT CC/MCC	4.8557	4.3701	-10.00%
507	SURG	MAJOR SHOULDER OR ELBOW JOINT PROCEDURES WITH CC/MCC	2.0609	1.8548	-10.00%
022	SURG	INTRACRANIAL VASCULAR PROCEDURES WITH PRINCIPAL DIAGNOSIS HEMORRHAGE WITHOUT CC/MCC	4.8428	4.3585	-10.00%
245	SURG	AICD GENERATOR PROCEDURES	5.4178	4.876	-10.00%
297	MED	CARDIAC ARREST, UNEXPLAINED WITH CC	0.707	0.6363	-10.00%
020	SURG	INTRACRANIAL VASCULAR PROCEDURES WITH PRINCIPAL DIAGNOSIS HEMORRHAGE WITH MCC	10.337	9.3033	-10.00%
002	SURG	HEART TRANSPLANT OR IMPLANT OF HEART ASSIST SYSTEM WITHOUT MCC	14.9701	13.4731	-10.00%
927	SURG	EXTENSIVE BURNS OR FULL THICKNESS BURNS WITH MV >96 HOURS WITH SKIN GRAFT	21.0913	18.9822	-10.00%
258	SURG	CARDIAC PACEMAKER DEVICE REPLACEMENT WITH MCC	3.1681	2.8513	-10.00%
368	MED	MAJOR ESOPHAGEAL DISORDERS WITH MCC	1.9491	1.7542	-10.00%
021	SURG	INTRACRANIAL VASCULAR PROCEDURES WITH PRINCIPAL DIAGNOSIS HEMORRHAGE WITH CC	7.5435	6.7892	-10.00%
295	MED	DEEP VEIN THROMBOPHLEBITIS WITHOUT CC/MCC	0.9841	0.8857	-10.00%
411	SURG	CHOLECYSTECTOMY WITH C.D.E. WITH MCC	3.7535	3.3782	-10.00%
618	SURG	AMPUTATION OF LOWER LIMB FOR ENDOCRINE, NUTRITIONAL AND METABOLIC DISORDERS WITHOUT CC/MCC	1.3032	1.1729	-10.00%
257	SURG	UPPER LIMB AND TOE AMPUTATION FOR CIRCULATORY SYSTEM DISORDERS WITHOUT CC/MCC	1.1652	1.0487	-10.00%
819	SURG	OTHER ANTEPARTUM DIAGNOSES WITH O.R. PROCEDURES WITHOUT CC/MCC	0.9872	0.8885	-10.00%
848	MED	CHEMOTHERAPY WITHOUT ACUTE LEUKEMIA AS SECONDARY DIAGNOSIS WITHOUT CC/MCC	1.0323	0.9291	-10.00%
509	SURG	ARTHROSCOPY	1.6865	1.5179	-10.00%
053	MED	SPINAL DISORDERS AND INJURIES WITHOUT CC/MCC	1.1364	1.0228	-10.00%
832	MED	OTHER ANTEPARTUM DIAGNOSES WITHOUT O.R. PROCEDURES WITH CC	0.7783	0.7005	-10.00%

DRGs with Significant Weight Increases

MS-DRG	TYPE	MS-DRG Title	2022 FR Weight	2023 PR Weight	Variance
817	SURG	OTHER ANTEPARTUM DIAGNOSES WITH O.R. PROCEDURES WITH MCC	2.3068	3.1383	36.05%
933	MED	EXTENSIVE BURNS OR FULL THICKNESS BURNS WITH MV >96 HOURS WITHOUT SKIN GRAFT	2.2629	3.0630	35.36%
836	MED	ACUTE LEUKEMIA WITHOUT MAJOR O.R. PROCEDURES WITHOUT CC/MCC	1.1735	1.5754	34.25%
688	MED	KIDNEY AND URINARY TRACT NEOPLASMS WITHOUT CC/MCC	0.6858	0.8659	26.26%
969	SURG	HIV WITH EXTENSIVE O.R. PROCEDURES WITH MCC	5.8519	7.1985	23.01%
263	SURG	VEIN LIGATION AND STRIPPING	2.3132	2.8202	21.92%
796	SURG	VAGINAL DELIVERY WITH STERILIZATION AND/OR D&C WITH MCC	1.0708	1.2923	20.69%
887	MED	OTHER MENTAL DISORDER DIAGNOSES	1.0798	1.2937	19.81%
550	MED	SEPTIC ARTHRITIS WITHOUT CC/MCC	0.8789	1.0468	19.10%
712	SURG	TESTES PROCEDURES WITHOUT CC/MCC	1.0600	1.2624	19.09%
582	SURG	MASTECTOMY FOR MALIGNANCY WITH CC/MCC	1.6431	1.9415	18.16%
724	MED	MALIGNANCY, MALE REPRODUCTIVE SYSTEM WITHOUT CC/MCC	0.6481	0.7625	17.65%
290	MED	ACUTE AND SUBACUTE ENDOCARDITIS WITHOUT CC/MCC	1.0269	1.2036	17.21%
818	SURG	OTHER ANTEPARTUM DIAGNOSES WITH O.R. PROCEDURES WITH CC	1.3598	1.5913	17.02%
575	SURG	SKIN GRAFT FOR SKIN ULCER OR CELLULITIS WITHOUT CC/MCC	1.7632	2.0621	16.95%
584	SURG	BREAST BIOPSY, LOCAL EXCISION AND OTHER BREAST PROCEDURES WITH CC/MCC	1.8367	2.1398	16.50%
081	MED	NONTRAUMATIC STUPOR AND COMA WITHOUT MCC	0.7732	0.8969	16.00%
730	MED	OTHER MALE REPRODUCTIVE SYSTEM DIAGNOSES WITHOUT CC/MCC	0.5689	0.6548	15.10%
010	SURG	PANCREAS TRANSPLANT	3.6200	4.1650	15.06%

Top 5 State Average Wage Index Percentage Increase					
State	FY 2022 Wage Index	FY 2023 Wage Index Prior to Quartile and Transition	FY 2023 Wage Index With Quartile	FY 2023 Wage Index With Quartile and Cap	FY 2022 to FY 2023 Percent Variance
Hawaii	1.2390	1.3002	1.3002	1.3002	4.94%
North Dakota	1.0635	1.1112	1.1112	1.1112	4.49%
Colorado	0.9869	1.0108	1.0108	1.0108	2.42%
Washington DC	1.1130	1.1371	1.1371	1.1371	2.17%
South Dakota	1.0468	1.0667	1.0667	1.0667	1.90%

Top 5 State Average Wage Index Percentage Decrease					
State	FY 2022 Wage Index	FY 2023 Wage Index Prior to Quartile and Transition	FY 2023 Wage Index With Quartile	FY 2023 Wage Index With Quartile and Cap	FY 2022 to FY 2023 Percent Variance
New Mexico	1.0102	0.9744	0.9744	0.9744	-3.54%
Utah	0.9762	0.9494	0.9494	0.9547	-2.20%
Washington	1.1527	1.1238	1.1238	1.1275	-2.19%
New Hampshire	1.0908	1.0684	1.0684	1.0727	-1.66%

Wage Index – Cap on Year-to-Year Reductions

- Permanent 5% cap on any reduction to hospital's wage index from prior year
  - Implement in budget neutral manner through national adjustment to standardized amount (winners and losers)

Wage Index – Impact of Cap (Examples)

Geographic CBSA	State/CBSA Description	FY 2022 Wage Index	[6]FY 2023 Wage Index With Quartile	[3,6]FY 2023 Wage Index With Quartile and Cap	FY22 to FY23 Variance	States and CBSA Capped at 5 %
44300	State College, PA	1.0546	0.8378	1.0019	-20.56%	-5.00%
13380	Bellingham, WA	1.2253	1.0659	1.1640	-13.01%	-5.00%
27060	Ithaca, NY	1.0674	0.9560	1.0140	-10.44%	-5.00%
43420	Sierra Vista-Douglas, AZ	0.9411	0.8560	0.8940	-9.04%	-5.00%
21140	Elkhart-Goshen, IN	1.0046	0.9230	0.9544	-8.12%	-5.00%
46	Utah	1.0108	0.9432	0.9603	-6.69%	-5.00%
28420	Kennewick-Richland, WA	1.0986	1.0268	1.0437	-6.54%	-5.00%
36220	Odessa, TX	0.9085	0.8504	0.8631	-6.40%	-5.00%
31700	Manchester-Nashua, NH	1.1276	1.0570	1.0712	-6.26%	-5.00%
48140	Wausau-Weston, WI	0.9418	0.8861	0.8947	-5.92%	-5.00%
42100	Santa Cruz-Watsonville, CA	1.8931	1.7829	1.7984	-5.82%	-5.00%
41100	St. George, UT	1.0108	0.9583	0.9603	-5.19%	-5.00%

Wage Index – Low Quartile

- Maintains low wage index hospital policy despite March 2022 court decision
  - Impacts hospitals with wage index below 25th percentile
  - Increases wage index to half the difference between otherwise applicable hospital-specific wage index value and 25th percentile for all hospitals
    - Policy applied in budget-neutral manner by adjusting standardized amounts (winners and losers)
  - *Bridgeport Hospital v. Becerra* (DC District Court)
    - Decision not yet final; subject to appeal
    - What will the final rule hold? Would the standardized amount/base rate increase if CMS doesn't appeal?

IPPS BLENDED MEDICARE SEVERITY DIAGNOSIS RELATED GROUP (MS-DRG) ESTIMATED PAYMENT RATE

	2022 Final Rule			2023 Proposed Rule			PROVIDER #
Operating Payment Rate			**FFY-2022 Amount**			**FFY-2023 Amount**	**PR Percent Change**
Labor-Related Base Amount			$ 4,138.28			$ 3,915.78	-5.38%
Provider-Specific Wage Index			1.0326			0.9965	-3.50%
Provider-Adjusted Labor-Related Amount			$ 4,273.19			$ 3,902.07	-8.68%
Non-Labor-Related Base Amount			$ 1,983.43			$ 2,399.99	4.96%
Quality & Electronic Health Record (EHR) Payment Adjustments	**Y/N**	**Adjustment Factors**	**Amount**	**Y/N**	**Adjustment Factors**	**Amount**	**PR Percent Change**
Quality Reduction	N	-0.66%	$ -	N	-0.75%	$ -	0.00%
EHR Reduction	N	-1.99%	$ -	N	-2.26%	$ -	0.00%
Provider's Adjusted Operating Base Rate			**$ 6,256.62**			**$ 6,302.06**	**0.73%**
Operating Payment Adjustments	**Y/N**	**Adjustment Factors**	**Amount**	**Y/N**	**Adjustment Factors**	**Amount**	**PR Percent Change**
Disproportionate Share		0.056140	$ 351.25		0.054140	$ 341.19	-2.86%
Uncompensated Care Amount Per Discharge		678.60	$ 678.60		698.29	$ 698.29	2.90%
Indirect Medical Education		0.431860	$ 2,701.98		0.454310	$ 2,863.09	5.96%
Value-Based Purchasing		1.0086	$ 53.49		0.9971	$ (18.28)	-134.17%
Readmission		0.9931	$ (43.17)		1.0086	$ 53.88	-224.81%
Hospital-Acquired Condition Reduction	No	-1.00%	$ -	No	-1.00%	$ -	0.00%
Total Medicare Operating Adjustments			**$ 3,742.15**			**$ 3,938.17**	**-0.48%**
Total Adjusted Medicare Operating Amount			**$ 9,998.77**			**$ 10,240.23**	**1.36%**
Capital Payment Rate		**Factors**	**Amount**		**Factors**	**Amount**	**PR Percent Change**
Capital Standard Federal Payment Rate			$472.60			$480.29	1.63%
Geographical Adjustment Factor			1.0222			0.9976	-2.41%
Adjusted Capital Base Rate			$ 483.09			$ 479.14	-0.82%
Capital Disproportionate Share		-	$ -		-	$ -	0.00%
Capital Indirect Medical Education Adjustment		0.42350	$ 204.59		0.47969	$ 229.84	12.34%
Total Adjusted Medicare Capital Rate			**$ 687.68**			**$ 708.98**	**5.15%**
Total Base MS-DRG Payment			**$ 10,686.45**			**$ 10,949.21**	2.46%
Estimated Medicare Discharges			9,514			8,134	-14.50%
Medicare Case Mix Index			2.2381			2.3736	6.05%
Estimated Medicare Payments			**$ 219,556,186.67**			**$ 203,592,992.77**	**-7.27%**

Unfavorable Wage Index Impact: Any MGCRB opportunities?

Decline in FFS volume: Movement to MAO?

Change in CMI: COVID Related?

Fixed-Loss Outlier Threshold

- Goal to decrease outlier payments by -**1.8%**
  - Necessitated by target of paying 5.1% of IPPS funds as outlier payments
  - Current outlier threshold - $30,988
- Two options for new threshold
  - $43,214 - using charge inflation factors and cost-to-charge ratio adjustment factors calculated using pre-pandemic data
  - $58,798 - without modifications to current policies

Outlier Trends

FY2023 IPPS Proposed Rule Outlier HistorIcal Perspective				
	Historical 2007	**Current 2022**	**Proposed 2023 (1)**	**Proposed 2023 (2)**
OutlierThreshold	**24,485**	**30,988**	**43,214**	**58,798**
Cumulative Change	15	6,503		
Annual Increase		434		
	1		12,226	27,810
Cumulative Percentage change		26.56%	39.45%	89.74%
Annual Percentage Increase		1.77%	**39.45%**	**89.74%**
Outlier CostThreshhold (example)	**60,082**	**69,047**	**85,899**	**107,381**
	15	8,964		
Annual Increase		598		
	1		16,853	38,335
Cumulative Percentage change		14.92%	24.41%	55.52%
Annual Percentage Increase		0.99%	**24.41%**	**55.52%**

- First 15 years of MS-DRGs modest (manageable) increases in both threshold amount and related amount of cost.
- Either proposed rule option will result in outlier reductions
  - Fewer cases will qualify for outliers
  - Calculated outliers will be less
- Actual results will vary by each hospital and each MS-DRG

Detail Outlier Payment Example

Step 1: Determine Federal Operating Payment with IME and DSH:	
Federal Rate for Operating Costs = (DRG Relative Weight x ((Labor Related Amount x CBSA Wage Index) + (Nonlabor Related National Standardized Amount x Cost of Living Adjustment)) x (1 + IME + DSH))+ UCC Amount	
Federal Operating Payment With IME and DSH =	**$24,407.58**

Step 2: Determine Federal Capital Payment with IME and DSH:	
Federal Rate for Capital Costs = ((DRG Relative Weight x Federal Capital Rate x Geographic Cost Adjustment Factor x COLA) x (1 + IME + DSH))	
Federal Capital Payment With IME and DSH =	**$1,923.47**

Step 3: Determine Operating and Capital Costs:	
Operating Costs = Billed Charges x Operating Cost to Charge Ratio	
Operating Costs =	**$77,900**
Capital Costs = Billed Charges x Capital Cost to Charge Ratio	
Capital Costs =	**$8,200**

- Outlier Payment Factors:
  - Outlier Threshold
  - Case- specific MS-DRG
  - Hospital specific adjustments
  - Geographic location
  - Outlier cost to charge ratios

Step 4: Determine Operating and Capital Outlier Threshold	
A. Operating CCR to Total CCR = Operating CCR / (Operating CCR + Capital CCR)	
Operating CCR to Total CCR =	**0.9048**
B. Capital CCR to Total CCR = Capital CCR / (Operating CCR + Capital CCR)	
Capital CCR to Total CCR =	**0.0952**
C. Operating Outlier Threshold = ((Fixed Loss Threshold x ((Labor related portion x CBSA Wage Index) + Nonlabor related portion)) x Operating CCR to Total) + Federal Payment with IME and DSH:	
Operating Outlier Threshold =	**$78,275.86**
D. Capital Outlier Threshold = (Fixed Loss Threshold x Geographic Adj. Factor x Capital CCR to Total CCR) + Federal Payment with IME and DSH	
Capital Outlier Threshold =	**$7,623.61**

Step 5: Determine Operating and Capital Outlier Payment Amount	
A. Determine if Total Costs are Greater than Combined Threshold = (if (operating costs+ capital costs) > (operating threshold + capital threshold))	
Determine if Total Costs are Greater than Combined Threshold	**TRUE, Continue W**
B. Operating Outlier Payment = (Operating Costs - Operating Outlier Threshold) x Marginal	
Operating Outlier Payment =	(300.69)
C. Capital Outlier Payment = (Capital Costs - Capital Outlier Threshold) x Marginal Cost Fac	
Note: If Capital Outlier Payment Amount is Negative, we default this amount to 0	
Capital Outlier Payment =	**$461.11**
	$160.42

Medicare Uncompensated Care Payments

- Reduce Medicare DSH and UCC payments by **$0.8 billion**
  - Three factors used to determine uncompensated care payments
    1. Estimated empirical DSH payments
    2. Inverse of the change in uninsured population, relative to prior year and original FY2014 "base"
    3. Individual hospitals share of total UCC cost reported on costs reports for those hospitals qualifying for the empirical DSH adjustment
  - Proposes to use FY2018 and FY2019 Worksheet S-10 data for UCC payments for 2023
  - Would use 3-year average of most recent audited data for future years

Medicare UCC Pool Calculation

Year	DSH Pool	UCC Pool at 75%	% W/O Insurance	UCC Factor 2	UCC Amount	$ Variance to PY	% Change	UCP v 75% of DSH Funding Gap
2014	$ 12,772,000,000	$ 9,579,000,000	17.00%	94.30%	$ 9,032,997,000	$ -	0.00%	$ (546,003,000)
2015	$ 13,383,462,196	$ 10,037,596,647	13.75%	76.19%	$ 7,647,644,885	$ (1,385,352,115)	-15.34%	$ (2,389,951,762)
2016	$ 13,411,096,528	$ 10,058,322,396	11.50%	63.69%	$ 6,406,145,534	$ (1,241,499,351)	-16.23%	$ (3,652,176,862)
2017	$ 14,396,635,710	$ 10,797,476,783	10.00%	55.36%	$ 5,977,483,147	$ (428,662,387)	-6.69%	$ (4,819,993,636)
2018	$ 15,552,939,524	$ 11,664,704,643	8.15%	58.01%	$ 6,766,695,165	$ 789,212,018	13.20%	$ (4,898,009,478)
2019	$ 16,339,055,838	$ 12,254,291,879	9.48%	67.51%	$ 8,272,872,447	$ 1,506,177,283	22.26%	$ (3,981,419,431)
2020	$ 16,583,455,657	$ 12,437,591,743	9.40%	67.14%	$ 8,350,599,096	$ 77,726,649	0.94%	$ (4,086,992,647)
2021	$ 15,170,673,476	$ 11,378,005,107	10.20%	72.86%	$ 8,290,014,521	$ (60,584,575)	-0.73%	$ (3,087,990,586)
2022	$ 13,984,752,729	$ 10,488,564,547	9.60%	68.57%	$ 7,192,008,710	$ (1,098,005,811)	-13.24%	$ (3,296,555,837)
2023	**$ 13,265,678,075**	**$ 9,949,258,557**	**9.20%**	**65.71%**	**$ 6,537,657,798**	**$ (654,350,912)**	**-9.10%**	$ (3,411,600,759)
Cumulative	**$ 144,859,749,734**	**$ 108,644,812,300**	**10.83%**	**68.55%**	**$ 74,474,118,302**	**$ (2,495,339,202)**		**$ (34,170,693,998)**

Medicare UCC Payments: States with Largest Variances

TOP 5 STATES WITH THE LARGEST DOLLAR VARIANCE (DECREASE)				
State	UCC FY22	UCC FY23	$ Variance	% Change
Texas	$ 1,279,832,484	$ 1,197,867,592	$ (81,964,892)	-6.40%
New York	$ 479,425,943	$ 419,783,891	$ (59,642,052)	-12.44%
Illinois	$ 326,392,609	$ 277,800,994	$ (48,591,615)	-14.89%
Virginia	$ 225,639,895	$ 181,493,605	$ (44,146,291)	-19.56%
Florida	$ 706,069,161	$ 668,624,174	$ (37,444,987)	-5.30%

TOP 5 STATES WITH THE LARGEST DOLLAR VARIANCE INCREASE				
State	UCC FY22	UCC FY23	$ Variance	% Change
Hawaii	$ 5,362,628	$ 6,293,951	$ 931,322	17.37%
Kansas	$ 48,842,348	$ 49,416,447	$ 574,099	1.18%
Minnesota	$ 39,266,810	$ 38,964,380	$ (302,429)	-0.77%
Vermont	$ 3,662,623	$ 3,446,585	$ (216,037)	-5.90%
Wyoming	$ 409,554	$ 395,367	$ (14,187)	-3.46%

Medicare UCC Payments: Hospitals with Largest Variances

TOP 5 PROVIDERS WITH THE LARGEST DOLLAR VARIANCE (DECREASE)					
State	Provider	UCC FY22	UCC FY23	$ Variance	% Change
Illinois	John H Stroger Jr Hospital	$ 108,518,222	$ 72,409,467	$ (36,108,755)	-33.27%
Texas	Parkland Health and Hospital System	$ 111,894,707	$ 97,028,455	$ (14,866,252)	-13.29%
Virginia	Medical College of Virginia Hospitals	$ 29,145,009	$ 17,109,447	$ (12,035,562)	-41.30%
Texas	Harris Health System	$ 136,277,049	$ 126,469,389	$ (9,807,660)	-7.20%
Virginia	University of Virginia Medical Center	$ 23,590,189	$ 14,590,300	$ (8,999,890)	-38.15%

TOP 5 PROVIDERS WITH THE LARGEST DOLLAR VARIANCE INCREASE					
State	Provider	UCC FY22	UCC FY23	$ Variance	% Change
Georgia	Augusta University Medical Center	$ 11,764,767	$ 16,878,153	$ 5,113,386	43.46%
New York	Jacobi Medical Center	$ 13,957,575	$ 18,726,153	$ 4,768,578	34.16%
Georgia	Emory University Hospital Midtown	$ 8,196,605	$ 11,450,601	$ 3,253,996	39.70%
Florida	Orlando Health Orlando Regional Medical Center	$ 28,066,841	$ 30,384,748	$ 2,317,906	8.26%
Florida	Jackson Memorial Hospital	$ 49,692,607	$ 52,009,324	$ 2,316,716	4.66%

Medicare UCC Payments By the Numbers

	FY2022 Final Rule			**FY2023 Proposed Rule**			**FY2023 v FY2022**	
	All Hospitals	Qualifying Hospitals	Qualifying Percent	**All Hospitals**	**Qualifying Hospitals**	**Qualifying Percent**	**Qualifying Hospitals Only Variance**	**Percent**
Demographic								
Number of Hospitals	3,579	2,350	65.66%	**3,516**	**2,348**	**66.78%**	(2)	-0.09%
Number of Claims	8,298,657	7,662,704	92.34%	**7,796,776**	**7,182,211**	**92.12%**	(480,493)	-6.27%
Average Claims/Hospital	3,109	3,261	104.87%	**2,904**	**3,059**	**105.34%**	(202)	-6.19%
Financial								
Total Uncompensated Care Costs	$37,063,176,150	$33,208,266,108	89.60%	**$37,639,012,731**	**$34,056,619,319**	**90.48%**	848,353,211	2.55%
Average Cost/Hospital	$10,355,735	$14,131,177	136.46%	**$10,705,066**	**$14,504,523**	**135.49%**	373,346	2.64%
Total Uncompensated Care Payments	$7,192,008,710	$7,192,008,710	100.00%	**$6,537,657,798**	**$6,537,657,798**	**100.00%**	(654,350,912)	-9.10%
Average Payment/Hospital	$2,009,502	$3,060,429	152.30%	**$1,859,402**	**$2,784,352**	**149.74%**	(276,078)	-9.02%
Estimated Amount per Claim	$1,476	$1,574	106.65%	**$1,410**	**$1,462**	**103.69%**	($112)	-7.12%
Pool Payments Percent of Cost	19.40%	21.66%	111.61%	**17.37%**	**19.20%**	**110.52%**	-2%	-11.36%
Total Gap								
Increased Uncompensated Care Cost							848,353,211	
Decrease in Distribution							(654,350,912)	
Additional Payment Gap							**(1,502,704,124)**	
				12 of 2348 hospitals equals 10% of total pool				

Use of Section 1115 Waiver Days in Medicaid Fraction

- CMS again proposes revision of Medicaid fraction to include only those patients receiving health insurance under section 1115 waiver (not including those receiving uncompensated care)
  - Proposed for FY2022 but did not implement
  - Issue currently being litigated in several states with Medicaid uncompensated care pools
  - Changes would be prospective

Direct Graduate Medical Education Cap and Count

- Calculation of full-time equivalent caps based on recent litigation *(Milton S. Hershey Medical Center, et al. v. Becerra)*
  - *Retroactive to cost reporting periods beginning on or after October 1, 2001, under certain circumstances*
  - Modified policy to be applied prospectively (CR periods beginning after 10/1/22)
  - If weighted and unweighted FTE counts exceed FTE cap amount, weighted count will be adjusted to equal FTE Cap amount
  - If weighted count does not exceed FTE cap, direct GME reimbursement will be based on weighted cap amount
  - Estimated FY2023 impact $170 million

Direct GME Rural Track Programs

- Allows an urban and a rural hospital participating in the same rural track program to establish a Medicare GME affiliation agreement (sharing cap space through reallocation once the caps for both hospitals have been established)
- Rural track FTE limitations (caps) are calculated by the product of
  - Highest total number of FTE residents in any program year during the fifth year of the program's existence at all the hospitals to which the residents rotate;
  - The number of years which residents are expected to complete the program, based on minimum accredited length for each type of program
  - The ratio of time the residents spent at each hospital to total (rural >50%)
- Eligible urban and rural hospitals may enter into rural track Medicare GME affiliation agreements effective with the July 1, 2023, academic year

Other Adjustments: Low Volume Adjustment

- Low volume adjustment reverts to pre-2011 criteria:
  - Less than 200 total discharges (including Medicare and non-Medicare)
  - Located more than 25 miles from the nearest “subsection (d)” hospital (PPS acute care)
  - Payment adjustment = 25% of the hospital’s total PPS payment
  - Hospital qualifying for LVA in 2022 may continue to receive LVA if both discharge and mileage requirements are met
  - Hospitals requesting LVA adjustment must apply to the MAC prior to September 1, 2022, to receive the benefit for the full fiscal year

Other Adjustments: Medicare Dependent Hospitals

- Limited to small rural hospitals:
  - Less than 100 available beds
  - Medicare utilization based on days or discharges exceed 60% in last 2/3 settled cost reports
  - Payment adjustment equals 75% of difference between PPS operating payments and adjusted hospital specific amount
- Scheduled to expire September 30, 2022
  - *Historically MDH provision has been extended prior to previous scheduled eliminations*

Other Adjustments: N95 Respirators

- "A significant action to improve hospital preparedness and readiness for future threats might be to provide payment adjustments to hospitals to recognize the additional resource costs they incur to acquire …N95 respirators that are wholly domestically made"
  - Cost Report option
    - Each hospital reports aggregate cost and total quantity of wholly domestically made N95 respirators; CMS calculates cost differential specific to that hospital and makes lump sum payment
  - MS-DRG add-on payment option
    - Only if include billing code attesting that hospital meets "domestic sourcing threshold" for N-95 respirators
- CMS seeking comment on preferred or alternative method
- Only proposal addressing specific increases in operating costs

Promoting Interoperability

- Increases points for –
  - Electronic prescribing objective
  - Public health and clinical data exchange
- New measure for antimicrobial use and resistance surveillance
- Reduces points for –
  - Health information exchange objective
  - Provide patients with electronic access to their health information
- Optional measure: TEFCA attestation
- Adopt IQR eCQM measure set

Hospital Inpatient Quality Reporting Program

Name	Voluntary Reporting	Mandatory Reporting	Payment Determination
Hospital Commitment to Health Equity	N/A	CY 2023	FFY 2025
Screening for Social Drivers of Health	CY 2023	CY 2024	FFY 2026
Screen Positive Rate for Social Drivers of Health	CY 2023	CY 2024	FFY 2026
Cesarean Birth eCQM	CY 2023	CY 2024	FFY 2026
Severe Obstetric Complications eCQM	CY 2023	CY 2024	FFY 2026
Hospital-Harm—Opioid-Related Adverse Events eCQM	N/A	CY 2024	FFY 2026
Global Malnutrition Composite Score eCQM	N/A	CY 2024	FFY 2026
Hospital-Level, Risk Standardized Patient-Reported Outcomes Performance Measure Following Elective Primary Total Hip/Knee Arthroplasty	1/1/23 to 6/20/23; 7/1/23 to 6/30/24	7/1/2024 to 6/30/2025	FFY2028
Medicare Spending Per Beneficiary - Hospital	N/A		FFY 2024
Hospital-Level Risk-Standardized Complication Rate Following Elective Primary Total Hip/Knee Arthroplasty	N/A		FFY 2024

Hospital Commitment To Health Equity - Attestation

Domain	Elements
Equity is a Strategic Priority	Our hospital strategic plan – (A) Identifies priority populations who currently experience health disparities (B) Identifies healthcare equity goals and discrete action steps to achieving these goals (C) Outlines specific resources which have been dedicated to achieving our equity goals (D) Describes our approach for engaging key stakeholders
Data Collection	(A) Our hospital collects demographic information, including self-reported race and ethnicity and/or SDOH on the majority of patients (B) Our hospital has staff training in culturally sensitive collection of demographic and/or SDOH information (C) Our hospital inputs demographic and/or SDOH information collected from patients into structured, interoperable data elements using a certified EHR technology.
Data Analysis	Our hospital stratifies key performance indicators by demographic and/or social determinants of health variables to identify equity gaps and includes this information on hospital performance dashboards
Quality Improvement	Our hospital participates in local, regional, or national quality improvement activities focused on reducing health disparities
Leadership Engagement	(A) Our hospital senior leadership, including chief executives and the entire hospital board of trustees, annually reviews our strategic plan for achieving health equity. (B) Our hospital senior leadership (including executives and trustees) annually reviews key performance indicators stratified by demographic and/or social factors.

Screening for Health-Related Social Needs (HRSNs)

- Report percentage of all patients age 18+ at time of admission screened for food insecurity, housing instability, transportation needs, utility difficulties, and interpersonal safety.
  - Use self-selected screening tool (e.g., AHC Health-Related Social Needs Screening Tool)
    - Reference to Social Interventions Research and Evaluation Network (https://sirenetwork.ucsf.edu/tools/evidence-library)
- Separately report positive screening rate for each of 5 domains

Malnutrition

- For each hospital inpatient age 65+
  - Screening for malnutrition risk at admission
  - Completing nutrition assessment for patients who screened for risk of malnutrition
  - Appropriate documentation of malnutrition diagnosis in patient’s medical record if indicated by assessment findings
  - Development of nutrition care plan for malnourished patients including recommended treatment plan

Value-Based Payments

- Hospital Readmission Reduction Program
  - For FY 2024, discontinue suppression of pneumonia readmission measure
  - Beginning in FY 2023 -
    - Exclude patients with COVID-19 diagnosis from pneumonia measure
    - Include covariate adjustment for patient history of COVID-19 within one year for all measures
- Hospital Value-Based Purchasing Program
  - For FY 2023, all hospitals receive incentive payment equal to 2% withhold
- Hospital Acquired Condition Reduction Program
  - No hospital penalized for FY 2023
  - Measure updates for FY 2024
  - Request information on potential adoption of NHSN Healthcare-associated Clostridioides difficile Infection Outcome measure and NHSN Hospital-Onset Bacteremia & Fungemia Outcome measure

Maternity Care Designation

- By May 2022, hospitals must report on Maternal Morbidity Structural Measure -
  - Currently participating in a structured state or national Perinatal Quality Improvement Collaborative (Yes/No/NA)
  - Implementing patient safety practices or bundles as part of these initiatives (Yes/No/NA)
- Beginning Fall 2023, those hospitals responding "Yes" would receive designation on CMS website
  - Include additional measures over time (e.g., Cesarean Birth and Severe Obstetric Complications)

Infection Control CoPs

- Continue COVID-19 reporting requirements through April 30, 2024 (unless the Secretary discontinues earlier)
- During any future PHE (local, state, or national), hospitals must report specified data elements with frequency specified by Secretary

Request for Comments

- Solicitation of comments on –
  - Impact of climate change (provider preparedness plans)
  - Health equity (CMS measurement and stratification)
  - Response to maternal health crisis (e.g., new CoPs?)
  - Digital quality measurement/use of FHIR® standard for eCQMs
  - LTCH - Inclusion of cDiff measure

Our Next Health Care Regulatory Round-Up:

Alternative Payment Model Update

May 18, 2022

How can we HELP?

A national healthcare advisory services firm providing consulting, audit, and tax services