



## CMS Implements Changes to Prospective Payment System for Long-Term Care Hospitals

Hedy S. Rubinger

The Centers for Medicare & Medicaid Services (CMS) has implemented a revised payment system for Long-Term Care Hospitals (LTCHs). The changes, which became effective on October 1, define two separate payment categories for LTCH patients.<sup>1</sup> Medicare pays for LTCH inpatient services under the LTCH Prospective Payment System (PPS). Under this payment system, CMS sets predetermined, fixed payment rates for inpatient stays.<sup>2</sup> Rates vary based on a patient's diagnosis and severity of illness, and the hospital generally receives a single payment for each case based on the payment classification when the patient is discharged.

Until 2013, there were no clinical criteria for LTCH patients. However, Section 1206 of the 2013 Bipartisan Budget Act established two separate payment categories for the LTCH PPS.<sup>3</sup> Patient discharges that meet specific clinical criteria will be paid "standard" payments, and those that do not meet the criteria will receive "site neutral" payments.<sup>4</sup> A "standard" payment is what is generally paid under existing LTCH PPS policy, while a "site neutral" payment is the lesser of a comparable Inpatient Prospective Payment System [IPPS] payment amount or 100 percent of the estimated cost of the case.<sup>5</sup>

In order to receive a "standard" payment, the LTCH patient encounter must meet one or both of two clinical criteria:

1. The patient must have been admitted directly from a hospital paid under the Inpatient PPS; at least three days of the patient's stay were spent in an Intensive Care Unit or Coronary Care Unit; and the discharge was not assigned to a psychiatric or rehabilitation payment classification in the LTCH.
2. The patient was admitted directly from an IPPS hospital, and the patient's LTCH discharge includes the procedure code for ventilator services of at least 96 hours, but was not assigned to a psychiatric or rehabilitation payment classification in the LTCH.

If the patient's discharge does not meet one or both of these criteria, the LTCH will receive the "site neutral" amount, and the Medicare Administrative Contractor will place a code indicating this on the remittance advice.<sup>6</sup> Moving forward, CMS advises LTCH providers to ensure that their billing staffs are aware of and implementing these changes.<sup>7</sup> CMS has also provided an official instruction regarding the change to Medicare Administrative Contractors.<sup>8</sup>

<sup>1</sup> See *MLN Matters MM9015: Implementation of Long-Term Care Hospital (LTCH) Prospective Payment System (PPS) Based on Specific Clinical Criteria*, CENTERS FOR MEDICARE & MEDICAID SERVICES (available at <https://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNMattersArticles/Downloads/MM9015.pdf>). See also *Fiscal Year 2016 Final Inpatient and Long-Term Care Hospital Policy and Payment Changes (CMS-1632-F)*, CENTERS FOR MEDICARE & MEDICAID SERVICES (available at <https://www.cms.gov/Newsroom/MediaReleaseDatabase/Fact-sheets/2015-Fact-sheets-items/2015-07-31-4.html>).

<sup>2</sup> See *Prospective Payment Systems – General Information*, Centers for Medicare & Medicaid Services (available at <https://www.cms.gov/medicare/medicare-fee-for-service-payment/prospmedicarefeesvcpmtgen/index.html>).

<sup>3</sup> See Public Law 113-67.

<sup>4</sup> *MLN Matters MM9015* at 2.

<sup>5</sup> *MLN Matters MM9015* at 2.

<sup>6</sup> *MLN Matters MM9015* at 3.

<sup>7</sup> *MLN Matters MM9015* at 1.

<sup>8</sup> CR9015 is available at <https://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/Downloads/R1544OTN.pdf>.

## Authors and Contributors

---

**Hedy S. Rubinger**

Partner, Atlanta Office  
404.873.8724  
hedy.rubinger@agg.com

*Ms. Rubinger acknowledges Elizabeth Mulkey who assisted in the preparation of this article. Ms. Mulkey is a recent graduate of Vanderbilt Law School and an employee of Arnall Golden Gregory LLP in our Healthcare law practice. Ms. Mulkey is a resident in our Atlanta, Georgia office but is not yet admitted to practice.*

not *if*, but *how*.<sup>®</sup>

## About Arnall Golden Gregory LLP

---

Arnall Golden Gregory, a law firm with more than 150 attorneys in Atlanta and Washington, DC, employs a “business sensibility” approach, developing a deep understanding of each client’s industry and situation in order to find a customized, cost-sensitive solution, and then continuing to help them stay one step ahead. Selected for The National Law Journal’s prestigious 2013 Midsize Hot List, the firm offers corporate, litigation and regulatory services for numerous industries, including healthcare, life sciences, global logistics and transportation, real estate, food distribution, financial services, franchising, consumer products and services, information services, energy and manufacturing. AGG subscribes to the belief “not if, but how.”<sup>®</sup> Visit [www.agg.com](http://www.agg.com).

**Atlanta Office**

171 17th Street, NW  
Suite 2100  
Atlanta, GA 30363

**Washington, DC Office**

1775 Pennsylvania Avenue, NW  
Suite 1000  
Washington, DC 20006

To subscribe to future alerts, insights and newsletters: <http://www.agg.com/subscribe/>

©2015. Arnall Golden Gregory LLP. This legal insight provides a general summary of recent legal developments. It is not intended to be, and should not be relied upon as, legal advice. Under professional rules, this communication may be considered advertising material.