

AUGUST 2022

FY 2023 MEDICARE LTCH FINAL RULE (CMS-1771-F)

On Aug. 1, the Centers for Medicare & Medicaid Services (CMS) posted the fiscal year (FY) 2023 Long-Term Care Hospital Prospective Payment System (LTCH PPS) final rule, effective Oct. 1, 2022 through Sept. 30, 2023. CMS estimates a net spending increase of \$71 million in FY 2023 compared to FY 2022 (proposed at \$25 million).

LTCH PPS Standard Rate Update: CMS estimates paying for 72% of FY 2022 LTCH discharges under the standard rate. CMS finalized a FY 2023 LTCH PPS standard rate increase of 2.3%. This reflects a 3.8% market basket update, a 0.3 percentage point productivity reduction, and a 1.2 percentage point cut for high-cost outlier payments. CMS will further reduce the annual update by 2 percentage points for LTCHs that fail to submit quality data. The FY 2023 standard rate is \$46,432.77.

The FY 2023 high-cost outlier fixed-loss amount is \$38,518 (proposed at \$44,182).

LTCH Site-Neutral Rate Update: CMS estimates paying for 28% of FY 2022 LTCH discharges under the LTCH site-neutral rate. CMS will increase site-neutral net payments by 2.8% (or \$9 million) compared to FY 2022. Site-neutral payment rates are paid the lower of the inpatient prospective payment system comparable per-diem amount, including any outlier payments, or 100% of the estimated cost of the case. CMS proposed a high-cost outlier threshold for site-neutral cases of \$38,859.

All site-neutral cases will receive the full site-neutral payment rate, rather than the previous 50/50 blend of LTCH PPS and site-neutral rates. The cost of the last two years of the blended-rate (cost reporting periods starting in FYs 2018 and 2019) is offset by a 4.6% payment cut to site-neutral payments in FYs 2018 through 2026.

Wage Index: CMS will make the final FY 2023 LTCH PPS wage index data available in Tables 12A and 12B on its LTCH PPS Wage Index website. CMS finalized a FY 2023 LTCH PPS labor-related share of 68.2%.

CMS made permanent a 5% cap on any wage index decrease from the previous year, regardless of the reason for the decline. This policy is budget neutral.

MS-LTC-DRGs: CMS finalized a permanent cap of 10% on relative weight decreases to Medicare Severity-Long Term Care-Diagnosis Related Group (MS-LTC-DRG) relative weights beginning FY 2023 to alleviate fluctuations in LTCH PPS payments (not applicable to no-volume MS-LTC-DRGs).

LTCH Quality Reporting Program (QRP): There are 18 measures finalized for the FY 2023 LTCH QRP (see Table IX.G.-01).

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Sources:

Centers for Medicare & Medicaid Services. Medicare Program: Hospital Inpatient Prospective Payment Systems for Acute Care Hospitals and the Long Term Care Hospital Prospective Payment System and Policy Changes and Fiscal Year 2023 Rates; etc. Available from: <https://www.federalregister.gov/public-inspection/2022-16472/medicare-program-hospital-inpatient-prospective-payment-systems-for-acute-care-hospitals-and-the>. Accessed August 5, 2022.