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When are the rule changes effective?

The rules come into play as of October 1, 2015, which is the start of the Medicare fiscal year. However, for individual facilities, the rules will begin at the start of the facility's Medicare cost year. For instance, if a cost year begins on January 1st, the rule will not impact the facility until January 1, 2016.

What is changing?

Medicare is attempting to limit the type of patients treated at an LTACH to those considered medically complex. To do so, Medicare is phasing in a reimbursement calculation change that will result in the LTACH being paid a site neutral rate for patients that do not meet specific criteria. The phase-in will take place over a one-year period. During the first year, the site neutral rate will be blended with the full LTACH rate at 50:50 ratio. Thereafter, patients that do not qualify will be paid at 100% of the site neutral rate. The site neutral rate is based on the comparable rate that would be paid at a short-stay acute care hospital.

Starting in 2017, the 25 percent rule moratorium may also be lifted, with some exceptions. This rule reduces LTACH payment amounts to the inpatient PPS amount for LTACHs admitting more than 25% of Medicare cases from an onsite or neighboring inpatient acute care hospital.

For cost reporting periods beginning October 1, 2019, and thereafter, at least 50% of all discharges must be cases paid under the LTACH PPS, or the LTACH will be paid the inpatient PPS rate for all discharges for future cost reporting periods.

On a positive note, when calculating whether an LTACH or LTACH-satellite meets the greater than 25-day average length of stay requirement, Medicare Advantage patients paid at the site neutral rate are excluded from the calculation.

What requirements must be met to not be paid at the site neutral rate?

First, the DRG that the patient groups into cannot be rehabilitation or psychiatric related. If they are, the LTACH will get paid at the site neutral rate regardless of any other criteria.

Second, the patient must have a qualifying stay at short-stay acute care hospital and directly admitted into the LTACH. This is being interpreted to mean that there cannot be a gap between the discharge from acute and admission into LTACH – they must happen on the same day.
Along with the qualifying stay, the patient must meet one of the following criteria. If neither criteria are met, the LTACH will get paid at the site neutral rate:

- While at the short-stay acute care hospital, the patient must have been in either ICU or CCU for at least three days (three midnights of head-in-a-bed); or
- While in the LTACH, the patient must receive more than 96 hours of vent treatment

**How is the site neutral rate calculated?**

LTACH cases paid at the site neutral rate would be paid the lesser of the following two options:

1. The inpatient PPS-comparable per diem rate (currently used to pay some short-stay outlier cases) plus outlier payment, if applicable; or
2. 100% of estimated cost of the services (total charges times the facility's cost-to-charge ratio)

**What is the impact on our clients?**

The psychiatric exclusion will have a dramatic impact on LTACHs. This is because of the lifetime limitation of inpatient psychiatric days for Medicare patients. Once a patient exhausts their psychiatric days, Medicare does not provide payment to a freestanding psychiatric hospital under the IP Psych PPS rules. Previously, these exhausted patients could be admitted into an LTACH for an acute psychiatric episode, and the LTACH would be reimbursed at the full LTACH rate by Medicare. Many LTACHs have a nursing unit specifically for psychiatric patients.

The acute hospital qualifying stay rule decreases the number of referral sources and types of patients an LTACH can admit. It will be vital for the LTACH to have a solid relationship with their referring short-stay acute care hospitals, and several referring hospitals, so that they do not fall afoul of the 25 percent rule.

**What changes have been made to Interactant to handle the rule changes?**

- HCS has modified the marketing/referral and admission components to capture the qualifying hospital stay and the number of ICU/CCU days at the short-stay acute care hospital
- HCS has modified the LTACH reimbursement calculation to apply the site neutral rate when applicable
• HCS has modified the average length-of-stay report to monitor the 25-day requirement to carve out Medicare Advantage patients paid at the site neutral rate.

• HCS has added additional fields to the Insight module allowing clients to monitor the number of patients being paid at the site neutral rate for any period.

What remains to be done?

• Updates will need to be made to track the facility’s 25 percent rule status if the moratorium is lifted in 2017. Depending upon facility type, i.e., freestanding, hospital-in-hospital, grandfathered, etc., the rules will be different. In 2016, CMS is required to report to Congress if the 25 percent rule is needed.

• Updates to the rules that come into play in 2019 regarding paying all cases at the inpatient PPS rate based on the facility not getting paid at the full LTACH rate for at least 50% of the cases.

• Reporting the qualifying stay on the UB04 bill and the 837 electronic file. While CMS has not published any guidance on how the qualifying stay should be reported, there is some talk of CMS looking at the acute care bill as part of the determination. However, in discussions with HCS clients, they indicated that many times they submit a bill before the short-stay acute care hospital, which could cause LTACH underpayments.

• CMS is finalizing its proposal to eliminate the “5 percent readmissions” policy. Under this, all readmissions from collocated providers in excess of 5% are paid a single LTACH payment rather than two payments, one for both the admission and readmission, regardless of the interrupted stay rules.