

# Health Headlines

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## CMS Releases FY 2013 IPPS Proposed Rule

On April 24, 2011, CMS issued a proposed rule to revise the Medicare hospital inpatient prospective payment systems (IPPS) for acute care hospitals and the prospective payment system for inpatient services provided by long-term care hospitals for fiscal year (FY) 2013 (Proposed Rule). In the Proposed Rule, CMS continues to implement statutory provisions from the 2010 Patient Protection and Affordable Care Act (PPACA) and makes additional changes to the IPPS. The changes under the Proposed Rule would be applicable to discharges occurring on or after October 1, 2012.

Highlights from the Proposed Rule include the following:

- CMS projects that payment rates to general acute care hospitals will increase by 2.3 percent in FY 2013. The 2.3 percent is a net update after inflation, improvements in productivity, a statutory adjustment factor, and adjustments for hospital documentation and coding changes. CMS projects that the rate increase, together with other policies in the proposed rule and projected utilization of inpatient services, would increase Medicare's operating payments to acute care hospitals by approximately 0.9 percent in FY 2013.
- The number of Inpatient Quality Reporting (IQR) quality measures would be reduced from 72 to 59 for FY 2015, which includes the addition of four new quality measures.
- CMS proposes adding two new conditions to the list of Hospital-Acquired Conditions (HACs): (1) Surgical Site Infection Following Cardiac Implantable Electronic Device, and (2) Pneumothorax with Venous Catheterization.
- Regarding the Hospital Readmissions Reduction Program, CMS proposes a method of calculating the ratio of a hospital's aggregate payments for excess readmissions to its aggregate payments for all discharges. This follows last year's IPPS final rule, where several other policies related to the Readmissions Reduction Program were finalized. CMS estimates that this adjustment will result in a 0.3% payment decrease for hospitals.
- CMS proposes increasing the timeframe for new teaching hospitals to establish their graduate medical education and indirect medical education caps from three to five years.
- CMS also proposes to undo changes to the Low-Volume Hospital Payment Adjustment that were a part of PPACA. Under the new rules, hospitals will have to be more than 25 miles from another hospital and have less than 200 discharges (under the PPACA rules, the limits were 15 miles and 1,600 discharges). In order for hospitals to receive the 25 percent payment adjustment, they must apply in writing to the fiscal intermediary or MAC by September 1, 2012.
- The "services furnished under arrangements" requirement would be postponed until FY 2014. Under that rule, only therapeutic and diagnostic services could be furnished outside the hospital under arrangements with another entity. Routine services, including bed, board, and nursing would have to be performed by the hospital.
- CMS proposes to include labor and delivery beds in the bed count for purposes of Medicare DSH and IME adjustments. CMS asserts that this harmonizes the calculation with the current method of including labor and delivery days in the patient count for the Medicare DSH adjustment.

CMS is accepting comments on the proposed rule until June 25 and anticipates publishing a final rule by August 1. The Proposed Rule can be found **here**.

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