Issue Brief

Medicare's Proposed FY 2015 Inpatient Prospective Payment System (IPPS) Regulation

Background
On May 15, 2014, the Centers for Medicare and Medicaid Services (CMS) published in the *Federal Register* the proposed FY 2015 Hospital Inpatient Prospective Payment System regulation. This document proposes reimbursement updates and policy changes applicable to discharges on or after October 1, 2014. CMS released two fact sheets (here and here) with the proposed regulation, outlining salient provisions. The information below discusses items of specific interest to midwifery contained in the proposed rule. Comments are due on June 30, 2014.

Payment Impact
The calculation of hospital payments begins with a base payment amount that is then modified for variation in local wages, the diagnosis associated with the admission, and various other factors. Each year CMS revises the base payment amount. Under the proposal, in FY 2015, the payment rates for hospitals that successfully participate in the Hospital Inpatient Quality Reporting (IQR) Program and are meaningful electronic health record (EHR) users will be increased by 1.3 percent. Because of various other payment modifications required by statute, CMS projects that total IPPS payments will decrease in FY 2015 by $241 million. (For those who are interested, an excellent summary of the IPPS payment methodology is available on MedPAC's website).

Hospital Inpatient Quality Reporting (IQR) Program
Under the Hospital Inpatient Quality Reporting Program (IQR), hospitals have been required to report on a number of quality measurements. Previously, hospitals that did not participate successfully in the Hospital IQR Program have had their annual payment update reduced by two percentage points. So, for example, if the update was 2.8 percent, hospitals that did not successfully participate in the IQR would see an update of 0.8 percent. Since the implementation of this financial penalty, hospital participation has increased to well over 99 percent of Medicare-participating hospitals that are paid under the IPPS.

Beginning with FY 2015, hospitals that do not submit the required quality data will be subject to a one-fourth reduction of the market basket update. So, for example, if the base payment rate was to be increased by 2.8 percent, hospitals that fail to adequately report under the IQR would only see an increase of only 2.1 percent. Also, the law requires that the update for any hospital that is not a meaningful electronic health record (EHR) user will be further reduced by one-fourth in FY 2015. Thus, hospitals that fail to participate in IQR and EHR meaningful use will receive only half of the otherwise applicable update. In future years, the reduction for failure to engage in EHR

meaningful use will be increased so that by FY 2017, hospitals that fail to participate in IQR or engage in EHR meaningful use will receive no update at all.

Measures reported under the Hospital IQR Program are published on the *Hospital Compare* Web site and may later be adopted for use in the Hospital Value Based Purchasing Program. Note that rates of early elective delivery, by hospital, are currently available on Hospital Compare.

Each year CMS proposes various changes to the IQR measure set. CMS is proposing to reduce the number of Hospital IQR Program measures to 46 in FY 2017, down from 57 measures in FY 2016. They are removing measures which are "topped out," meaning that hospitals are uniformly performing at such a high level that the measure is no longer a useful tool for differentiating their performance.

CMS also proposes to add a total of eleven measures to the Hospital IQR measure set for reporting in FY 2015, which impacts payments in FY 2017. Two measures proposed for inclusion in the IQR are of specific interest to midwives:

- The Joint Commission's measure, "PC-05 Exclusive Breast Milk Feeding," and the Subset Measure "PC-05a Exclusive Breast Milk Feeding Considering Mother's Choice." This measure assesses the number of newborns exclusively fed breast milk during the newborn's entire hospitalization; and the subset measure only includes those newborns whose mothers chose to exclusively feed breast milk.
- Healthy Term Newborn (NQF 0716). The result of the measure calculation is the percentage of term singleton live births (excluding those with diagnoses originating in the fetal period) that do not have significant complications during birth or the nursery care.

If added to the IQR, consumers would ultimately be able to use Hospital Compare to see performance outcomes on the measures for any hospital in the country paid under the IPPS (which is the vast majority of hospitals).

Hospital Value Based Purchasing Program and the Early Elective Delivery Measure

The Affordable Care Act (ACA) created a program under which CMS withholds a portion of total hospital payments and then redistributes those withheld funds to hospitals that perform well on a set of quality measures drawn from the inpatient quality reporting (IQR) program. For 2015, CMS will withhold and then redistribute 1.5 percent of estimated payments, or approximately $1.4 billion. CMS has proposed to add three more measures to the hospital value based purchasing program. Among those three is the Joint Commission's measure of the rate elective deliveries occurring prior to 39 weeks. Although the Joint Commission only requires reporting on this measure by hospitals with at least 1,100 deliveries, CMS began requiring reporting of this measure by all hospitals paid under the IPPS, beginning in FY 2013 (see the final FY 2013 IPPS regulation discussion, beginning on page 53528). It is already possible to see the results of this data reporting through CMS' Hospital Compare website. By taking the

further step of including this measure in the hospital value based purchasing program, CMS will be tying hospital performance on this measure to reimbursement.

Hospital Price Transparency
The Affordable Care Act contains a provision that requires each hospital to establish and make public a list of its standard charges for items and services. In this proposed rule, CMS reminds hospitals of the requirement, but does not proscribe how they should release the data. CMS does state that hospitals should either make public a list of their standard charges or their policies for allowing the public to view a list of those charges in response to an inquiry. The goal is for hospitals to allow consumers to see what their potential financial liability might be for services they obtain at the hospital, and to enable patients to compare charges for similar services across hospitals.

Alternative Payment Approaches for Short Hospital Stays
The proposed rule notes that some members of the hospital community have expressed support for the general concept of an alternative payment methodology under the Medicare program for short inpatient hospital stays. CMS is soliciting comments on such a payment methodology, specifically how it might be designed. The proposed rule asks for public input on an alternative payment methodology for short stay inpatient cases that also may be treated on an outpatient basis, including how to define short stays and what an appropriate payment would be.

Requirements for Physician Certification of Critical Access Hospital Inpatient Services
Current law requires that for inpatient critical access hospital (CAH) services to be payable under Part A, a physician must certify that the individual may reasonably be expected to be discharged or transferred to a hospital within 96 hours after admission to the critical access hospital. Regulations adopted in FY 2014 require CAHs to complete the physician certification prior to discharge. In order to reduce the administrative burden on CAHs, provide greater flexibility in meeting the statutory physician certification requirement, and make the requirement more consistent with the CAH Conditions of Participation that allow for staffing by certain practitioners who are not physicians (who cannot sign the certification by law), CMS proposes allowing the physician certification be completed no later than one day before the date on which the claim for payment for the inpatient CAH service is submitted.

Next Steps
ACNM will prepare and submit comments in support of the inclusion of the early elective delivery measure in the hospital value based purchasing program and in support of inclusion of the breast feeding and healthy newborn measures in the IQR program. We are also engaging in conversations on Capitol Hill with regard to changes to physician certification requirements.