



CPAs & ADVISORS

experience **perspective** //

WHAT 2 WATCH 4

Larry Oday , Retired Partner, Vinson & Elkins LLP
February 27, 2014



WHAT 2 WATCH 4

- Ten hot topics
 - In Federal Health Policy
 - In 2014
- Plus two things to ignore





10. SEQUESTER

- 2% cut in Medicare payments to providers
 - Net of deductible & coinsurance
 - **Not** cumulative
 - However, CMS says it has no discretion to exempt items
 - Began on April 1, 2013
- New law (Bipartisan Budget Act) signed by POTUS on December 26, 2013
 - Extends Medicare cuts through March 2024
 - Medicaid still exempt
- Cuts end for NIH
 - Good news for grantees
 - Increase in total funding likely
- Government doors stay open
 - Through September 30, 2015
 - There is still the “debt limit” issue





9. MASSACHUSETTS WAGE INDEX

- Worth \$169M to Massachusetts hospitals
- No change to current policy in latest IPPS final rule
- BN adjustment still applied nationwide (per ACA)
- Bills pending in Congress to repeal the ACA provision
 - Senate bill got 68 votes in a test vote
 - But will those votes be there when it matters?
 - So far, nothing in either the new law or SGR repeal bills
- Fundamental wage index reform coming?
 - Not any time soon, if at all
 - CMS Report ignored
 - IOM Report also ignored





8. ICD-10

- CMS says October 1, 2014 is hard deadline
 - Including for Medicaid
 - MACs already converting LCDs
 - Both AHA & BCBSA support the deadline
- Rescrambles the egg for DRGs
 - To be addressed in this year's rule
 - Clinical documentation more important than ever
- Limited testing of claims submission beforehand
- CMS has already issued instructions for “split” claims
 - For dates of service spanning October 1, 2014
 - See MLN matters #SE1325
 - Also see CR7492, dated August 19, 2011
- Hard copy of ICD-10 code books available
 - Two inches thick





7. TAX-EXEMPT STATUS

- IRS issued NPRM on April 3, 2013
 - Implementing ACA mandate
 - Imposes CHNA standards
 - Still no final rule
 - IRS notice (at year-end) says hospitals can rely on the provisions in the proposed rule for now
- Other ACA mandates
 - Written financial assistance policy
 - Written emergency care policy
 - Limit amounts charged to “qualified” provision
 - Make “reasonable” efforts to determine FA eligibility
- Penalties
 - \$50K for not meeting CHNA mandate
 - A second IRS notice in late December creates a process by which a hospital can come into compliance without penalty





6. OBSERVATION DAYS

- “Two Midnights” Rule
 - In FY 2014 final IPPS rule
 - Creates a bright line
 - But has proven to be very controversial
 - CMS conducting a series of conference call seminars
- Meanwhile
 - Beneficiary lawsuit against CMS still pending
 - DOJ still suing hospitals for “short stays”
- Latest “Doc Fix” law
 - Did **NOT** invalidate the CMS rule
 - But this could still be addressed later this year





5. RURAL FIXES

- MDH adjustment
 - New law extends it to April 1, 2014
 - Retroactive to October 1, 2013
- LVH adjustment
 - New law extends it to April 1, 2014
 - Retroactive to October 1, 2013
- Pending Finance Committee bill (S. 1871)
 - Would make both MDH & LVH permanent
 - 50/50 chance of this happening
- CAHs
 - POTUS budget would cut to 100% of cost
 - Also takes away existing designation if within 10 miles of another hospital
 - OPSS final rule ends delay of direct supervision requirement, but SFC bill would restore general supervision of therapeutic services
- Recent GAO Report
 - 88% of all hospitals get at least one adjustment
 - This is fueling skepticism in Washington about necessity for them





4. DSH

- New Medicare Formula in IPPS Final Rule
 - ACA mandate
 - Final rule not as onerous as NPRM
 - Still redistributing 75% of the pot
 - Still using the old proxies, because the S-10 data is highly suspect
- Medicaid Allocation/Reductions
 - Yet another ACA mandate
 - But, the new law delays the reductions for two years (to October 1, 2015)
 - Reduction is **doubled** for FY 2016
 - CMS will publish revised allotments for FY 2014 soon
 - Reduction also extended to FY 2023





3. QUESTIONABLE FUTURE OF LTACS

- New law dramatically alters payment
- Good news: 25% rule delayed again
 - Moratorium until December 29, 2016
 - Retroactively effective
- Bad news: Moratorium of new LTACs
 - Also on bed increases
 - Begins January 1, 2015
 - Ends on September 30, 2017
 - No exceptions





3. QUESTIONABLE FUTURE OF LTACS (CONT.)

- Really bad news: only two types of patients will get the full LTAC PPS amount
 - In STAC ICU for 3 days, or on vent in the LTAC for 96 hours (& had stay in STAC immediately before)
 - No diagnosis of psych or rehab
 - All other patients will get lesser of:
 - IPPS comparable per diem or
 - 100% of estimated costs
 - Two-year transition starting in FY 2016
 - 50/50 blend of old/new in 2016 & 2017
 - As of October 1, 2019, **no** discharges paid at LTAC rate if the two patient types under 50% of total
- LTACs consider this a “win”
 - Avoids what MEDPAC & CMS wanted
- Bundled payment?





2. SGR FIX

- New law extends to March 31, 2014
 - 0.5% increase (in lieu of 20% cut)
 - Also extends the 1.0 GPCI floor three months
- Nothing of any consequence in CY 2014 PFS final rule
- Senate Finance Bill (S.1871) pending
 - Repeals SGR
 - Zero update thru CY 2023
 - Would institute “performance based payments”
 - Could increase/decrease payment by up to 10%
 - Starts in CY 2017 (max 4% in that year)



2. SGR FIX (CONT.)

- Two different bills pending in House
 - Ways & Means versus Energy & Commerce
 - Will have to be merged before House vote
 - W&M bill very similar to SFC
- Problem: any of the bills cost at least \$139B
- What will be the “pay-fors?”
 - Cut bad debt
 - Cut GME
 - Reduce CAHs to 100% of cost
 - Cut update factor for all PAC providers
 - Cuts to provider-based clinics



1. ACA GOING LIVE

- Implementation SNAFUs
 - Largely behind us now
 - Insurers still having trouble getting accurate information
- Impact on providers
 - Flood of new patients in ER
 - Insurer “pass-back” in negotiations
 - Still 31M uninsured by 2017 (per CBO)
 - Individual mandate is tiny in early years
 - Employer mandate may get tossed in states with Federal exchange



TWO THINGS TO IGNORE

- IPAB
 - No members
 - Nothing to do anyway
- Fundamental Medicare Restructuring
 - Especially not in election year
 - Trustee's report says Part A good to 2026