CMS Manual System	**Department of Health & Human Services (DHHS)**
Pub 100-04 Medicare Claims Processing	**Centers for Medicare & Medicaid Services (CMS)**
Transmittal 3394	**Date: November 5, 2015**
	Change Request 9401

SUBJECT: Implementation Instructions to Operationally Process the Claims of a Subclause (II) Long Term Care Hospital (LTCH) in a Manner that is Generally Consistent with the Claims Processing of Non-Prospective Payment System (PPS) Hospitals

I. SUMMARY OF CHANGES: The purpose of this Change Request (CR) is to implement changes necessary to operationally process the claims of a subclause (II) LTCH in a manner that is generally consistent with the claims processing of non-Prospective Payment System (PPS) hospitals (i.e., TEFRA hospitals), so that the per discharge claim payment amounts would be more commensurate with their actual payments at cost report settlement under the LTCH PPS payment adjustment at §412.526.

EFFECTIVE DATE: January 1, 2015
**Unless otherwise specified, the effective date is the date of service.*
IMPLEMENTATION DATE: April 4, 2016

Disclaimer for manual changes only: The revision date and transmittal number apply only to red italicized material. Any other material was previously published and remains unchanged. However, if this revision contains a table of contents, you will receive the new/revised information only, and not the entire table of contents.

II. CHANGES IN MANUAL INSTRUCTIONS: (N/A if manual is not updated)
R=REVISED, N=NEW, D=DELETED-*Only One Per Row.*

R/N/D	CHAPTER / SECTION / SUBSECTION / TITLE
N/A	N/A

III. FUNDING:
For Medicare Administrative Contractors (MACs):
The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the MAC Statement of Work. The contractor is not obligated to incur costs in excess of the amounts allotted in your contract unless and until specifically authorized by the Contracting Officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the Contracting Officer, in writing or by e-mail, and request formal directions regarding continued performance requirements.

IV. ATTACHMENTS:

One Time Notification

Attachment - One-Time Notification

Pub. 100-04	Transmittal: 3394	Date: November 5, 2015	Change Request: 9401

SUBJECT: Implementation Instructions to Operationally Process the Claims of a Subclause (II) Long Term Care Hospital (LTCH) in a Manner that is Generally Consistent with the Claims Processing of Non-Prospective Payment System (PPS) Hospitals

EFFECTIVE DATE: January 1, 2015
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I. GENERAL INFORMATION

A. Background: In the Fiscal Year (FY) 2015 Inpatient Prospective Payment System (IPPS) Final Rule, CMS-1607-F, the Centers for Medicare & Medicaid Services (CMS) established a payment adjustment under the LTCH Prospective Payment System (PPS) for hospitals "classified under subclause (II) of subsection (d)(1)(B)(iv)" of the Act (referred to as "subclause (II) LTCHs), effective for cost reporting periods beginning in FY 2015 and beyond. Under this payment adjustment, payments to subclause (II) LTCHs are adjusted so that their LTCH PPS payments are generally equivalent to an amount determined under the reasonable cost-based reimbursement rules for both operating and capital-related costs under 42 CFR Part 413.

This payment adjustment for subclause (II) LTCHs is implemented in the regulations at § 412.526 under 42 CFR Part 412, Subpart O. Under the payment adjustment, for each cost reporting period, the adjusted LTCH PPS payment for Medicare inpatient operating costs for subclause (II) LTCHs will be paid on a reasonable cost basis, subject to a ceiling. For each cost reporting period, the adjusted LTCH PPS payment for Medicare inpatient capital-related costs under the payment adjustment for subclause (II) LTCHs at § 412.526 will be generally determined in accordance with the reasonable cost-based reimbursement rules set forth in the regulations at 42 CFR Part 413. Final payment amounts under the payment adjustment for subclause (II) LTCHs at § 412.526 based on the reasonable cost-based reimbursement rules for both operating and capital-related costs will be calculated on the Medicare cost report (CMS 2552-10). To date, no changes to the Medicare claims processing systems have been implemented, and per discharge claim payment amounts continue to reflect the standard (unadjusted) LTCH PPS payment amount.

In addition, 3 new state codes created in CR 9300 that were inadvertantly not included in the LTCH Pricer, will now be added to the Pricer.

B. Policy: The purpose of this Change Request is to implement changes necessary to operationally process the claims of a subclause (II) LTCH to generate a payment in a manner that is generally consistent with the claims processing of non-PPS hospitals (i.e., TEFRA hospitals), so that the per discharge claim payment amounts would be more commensurate with their actual payments at cost report settlement under the LTCH PPS payment adjustment at §412.526. (Note, currently there is only one hospital meeting the statutory definition of a subclause (II) LTCH, Medicare CMS Certification Number (CCN) 332006, which is located in New York (as stated in the FY 2015 IPPS/LTCH PPS final rule (79 FR 50194)).) Other LTCH PPS policies such as, but not limited to, day utilization and interrupted stay currently applicable to LTCHs shall continue to apply to subclause (II) LTCHs.

II. BUSINESS REQUIREMENTS TABLE

"Shall" denotes a mandatory requirement, and "should" denotes an optional requirement.

Number	Requirement	Responsibility

		A/B MAC			DME MAC	Shared-System Maintainers				Other
		A	B	HHH		FISS	MCS	VMS	CWF	
9401.1	The following definition shall be added to Data element 21, Case Mix Adjusted Cost Per Discharge/PPS Facility Specific Rate in Pub. 100-04, Chapter 3, Addendum A- Provider Specific File (PSF): For IPPS hospitals, enter the base year cost per discharge divided by the case mix index for sole community hospitals (SCHs) and Medicare-dependent hospitals (MDHs) on or after 04/01/90 (see §20.1.), and verify if figure is greater than $10,000.Note, effective 10/1/12, MDHs are no longer valid provider types. For other PPS hospitals, including new hospitals, enter zero. Effective on or after 01/01/15, enter the per diem payment rate for Subclause (II) Long Term Care Hospitals (LTCHs).									CMS
9401.2	Medicare Contractors shall calculate the per diem payment rate for Subclause (II) LTCHs' discharges on or after 01/01/15 (currently only CCN 332006) consistent with current procedures for PPS-excluded providers and consistent with the technical directions provided in a letter dated 12/23/2014.	X								
9401.2.1	Medicare Contractors shall update PSF data element 21, Case Mix Adjusted Cost Per Discharge/PPS Facility Specific Rate with the per diem payment rate calculated in BR2.	X								
9401.2.2	Medicare Contractors shall update the per diem payment rate in the PSF for Subclause (II) LTCHs (currently only CCN 332006) following current procedures for rate review.	X								
9401.3	Medicare contractor shall pass cost report days into the LTCH PRICER for the input buffer.					X				
9401.4	LTCH Pricer shall accept the cost report days field.									LTCH Pricer
9401.5	LTCH PPS PRICER shall create 2 new return codes as follows: 28 = Subclause (II) LTCH claim payment amount does not qualify for outlier 29 = Subclause (II) LTCH claim payment amount qualified for outlier but no outlier payment made									LTCH Pricer

Number	Requirement	Responsibility								
		A/B MAC			DME MAC	Shared-System Maintainers				Other
		A	B	HHH		FISS	MCS	VMS	CWF	
9401.6	Medicare contractor shall accept new PRICER return codes 28 and 29 from the LTCH PPS PRICER.					X				
9401.7	Pricer shall calculate the payment for all claims from a Subclause (II) LTCH (currently only CCN 332006), regardless of the length of stay, by multiplying the per diem amount in the PSF by the cost report days.									LTCH Pricer
9401.8	Pricer shall ensure the high-cost outlier calculation is applied to Subclause (II) LTCH claims for purposes of assigning the correct return code in BR 5.									LTCH Pricer
9401.8.1	If the claim qualifies for a high cost outlier payment, Pricer shall not output an outlier payment, but instead shall set return code 29 that indicates the claim qualified for a high cost outlier payment.									LTCH Pricer
9401.8.2	If the claim does not qualify for a high cost outlier payment, Pricer shall assign return code 28.									LTCH Pricer
9401.9	Medicare contractors shall review existing edits, bypass criteria and current LTCH processing logic and update as necessary to allow a per diem payment amount on a Subclause (II) LTCH claim while continuing to identify if a claim qualifies for a PPS high-cost outlier for the purpose of applying utilization in the same manner as non Subclause (II) LTCHs.					X				
9401.10	Medicare contractor shall install the LTCH module, version 15.4, sent by CMS to pay claims with discharge dates on or after January 1, 2015 through September 30, 2015.					X				
9401.11	Medicare contractor shall install the LTCH Pricer version 16.1 to pay claims with discharge dates on or after October 1, 2015.					X				
9401.12	Within 30 days of the implementation date of this CR, Medicare contractor shall reprocess inpatient claims from the LTCH with CCN 332006 and a discharge date on or after January 1, 2015 through the implementation date of this CR.	X								

III. PROVIDER EDUCATION TABLE

Number	Requirement	Responsibility				
		A/B MAC			DME MAC	CEDI
		A	B	HHH		
	None					

IV. SUPPORTING INFORMATION

Section A: Recommendations and supporting information associated with listed requirements: N/A

"Should" denotes a recommendation.

X-Ref Requirement Number	Recommendations or other supporting information:

Section B: All other recommendations and supporting information: For background information refer to Analysis CR 9257.

V. CONTACTS

Pre-Implementation Contact(s): Cami DiGiacomo, cami.digiacomo@cms.hhs.gov

Post-Implementation Contact(s): Contact your Contracting Officer's Representative (COR).

VI. FUNDING

Section A: For Medicare Administrative Contractors (MACs):
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ATTACHMENTS: 0