
CMS Releases FY 2021 Inpatient Prospective Payment System Proposed Rule

The Centers for Medicare and Medicaid Services (CMS) has [released](#) the fiscal year (FY) 2021 inpatient prospective payment system (IPPS) and long-term care hospital (LTCH) proposed rule. As with other rules that are being released for FY 2021, this proposed rule will only include provisions to meet the legal requirements to update Medicare payment policies for IPPS hospitals and LTCHs on an annual basis due to the significant impact of the COVID-10 public health emergency. The proposed rule will focus primarily on essential policies including Medicare payment to hospitals, as well as proposals that reduce provider burden.

CMS is proposing that hospitals report median payer-specific negotiated inpatient services charges on its cost reports. As part of this proposal, CMS discusses and requests information on the potential use of this data to set Medicare payment rates for hospital services. CMS has already put in a place a rule that will require hospitals to publicly disclose negotiated rates with all payers. Additionally, CMS is proposing a separate new hospital payment category for Chimeric Antigen Receptor T-cell therapy for cancer treatment, as well as to continue its policy of positively adjusting the wage index for hospitals in low wage areas. CMS also announced as part of the proposed rule that the Overall Hospital Star Rating methodology changes would be delayed until future rulemaking periods due to the COVID-19 pandemic.

CMS projects a net payment rate increase of 1.6 percent for general acute-care hospitals paid under the IPPS and who successfully participate in the Hospital Inpatient Quality Reporting Program and are meaningful electronic health records (EHR) users. CMS estimates this will result in an increase in spending for inpatient hospital services under the IPPS by approximately \$2.07 billion in FY 2021 compared to FY 2020. CMS is also proposing to decrease distributions by \$0.5 billion from FY 2020 to FY 2021 in payments to Medicare Disproportionate Share Hospitals to approximately \$7.8 billion. For LTCHs, CMS estimates the payments will decrease by \$36 million, or 0.9 percent, in FY 2021 as a result of the site-neutral LTCH payment system. Specifically, LTCH PPS payments made for FY 2021 discharges using the standard LTCH payment rate are projected to increase by a net of 2.1 percent. LTCH PPS cases that transition to the lower payment rates under the dual rate system are projected to decrease by 20 percent.

The proposed changes would apply to discharges beginning on October 1, 2020. This proposed rule will be published in the May 29, 2020 [Federal Register](#). Comments on this proposed rule will be accepted through July 10, 2020.