Payment Alert
August 2, 2017

CMS Releases Final Rule on the FY 2018 Inpatient Prospective Payment System

Late this afternoon, the Centers for Medicare and Medicaid Services (CMS) publicly released its FY 2018 Inpatient Prospective Payment System (IPPS) Final Rule. AdvaMed staff will distribute a comprehensive summary in the near future, but key highlights of the final rule include the following:

Payment Rate Update.
For hospitals that successfully participate in the Hospital Inpatient Quality Reporting Program (IQR) and are meaningful electronic health record (EHR) users, CMS estimates that the proposed rule, reflecting payment rate increases and decreases, together with other proposed policies and payment adjustments, will increase operating payment rates by 1.2 percent in FY 2018. This estimated increase in operating payment rates includes:

- a projected +2.7 percent increase in the hospital market basket
- an adjustment of -0.6 percentage point for productivity increases
- an adjustment of -0.75 percentage point to the market basket as required by the Affordable Care Act of 2010 (ACA)
- a -0.6 percentage point adjustment made in FY 2017 for the FYs 2014-2016 effect of the adjustment to offset the estimated costs of the 2-Midnight policy
- a +0.4588 percentage point adjustment required by statute, as recently amended by the 21st Century Cures Act.

CMS will apply additional adjustments for Medicare disproportionate share spending, excess readmissions, a continued 1 percent reduction for hospitals in the highest quartile of hospital acquired conditions (with some new modifications), and bonuses and penalties for value based purchasing.
CMS estimates that total Medicare spending on inpatient hospital services, including capital, will increase by approximately 1.3 percent, or $2.4 billion in FY 2018.

New Technology Add-On Payments (NTAPs).
CMS received nine applications for new technology add-on payments for FY 2018. Three applicants withdrew their applications prior to the proposed rule and another did not receive FDA approval. Two applications were for medical technologies: Edwards Intuity Elite Valve System and LivaNova Perceval Valve which CMS considered to be substantially similar to each other and evaluated both technologies as one application. In the final rule, CMS finds that Intuity and Perceval meet all of the criteria for approval of new technology add-on payments.
The final rule on NTAP notes that one commenter recommended that CMS: (1) prohibit local MACs from denying coverage and add-on payments for new medical services or technologies approved by the Secretary; and (2) broaden the criteria applied in making substantial clinical improvement determinations to require, in addition to existing criteria, that the Secretary consider whether the new technology or medical service meets one or more of the following criteria: (a) results in a reduction of the length of a hospital stay; (b) improves patient quality of life (c) creates long-term clinical efficiencies in treatment; (d) addresses patient-centered objectives as defined by the Secretary; or (e) meets such other criteria as the Secretary may specify. These were among the recommendations AdvaMed submitted in our comment letter on the proposed rule. CMS states in the final that the agency will be considering these recommendations in future rulemaking.

**Hospital Quality Improvement and Value-Based Care Programs.**

The final rule updated several quality reporting programs, including the hospital Inpatient Quality Reporting (IQR) Program, the Value-based Purchasing Program, PPS-Exempt Cancer and Long-Term Care Hospital (LTCH) Quality Reporting Programs (QRP), Hospital-Acquired Condition (HAC) Reduction Program, Readmissions Reduction Program, and Electronic Health Records Program. AdvaMed will provide a more detailed summary of the changes to these programs in a subsequent summary.

A copy of the 2,456 page final rule is available [here](#) and a link to the CMS Fact Sheet can be found [here](#).

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