

MEMORANDUM

To: American Society of Transplant Surgeons
From: Rebecca Burke and Diane Millman
Date: August 23, 2012
Subject: **CMS Issues Final Inpatient Prospective Payment System Rule for 2013**

On August 1, 2012, CMS posted its final rule to update Medicare payment policies and rates for inpatient hospital services paid under the Inpatient Prospective Payment System (IPPS). The Final Rule will appear in the 2012 Federal Register and can be downloaded at:
<http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/FY-2013-IPPS-Final-Rule-Home-Page-Items/CMS-1588-F.html>.

Under the final rule, payments to acute care hospitals will increase by 2.8% in FY 2013, increasing total Medicare spending on inpatient hospital services by about \$2 billion.

2013 Changes in DRG Weights for Transplant DRGs

A chart setting forth the proposed 2013 changes in the DRG weights assigned to transplant-related DRGs is provided at **Attachment A**. DRG weights for heart and liver transplants with MCCs both increase. The liver DRG without MCC decreases by 7.6%. The heart transplant DRG without MCC would decrease only slightly. The DRG weight changes for other transplant procedures are fairly insignificant although the lung transplant DRG is decreased by 2.6%.

Heart/VAD DRGs

CMS followed through on its proposal to reject a request to establish separate DRGs for VAD procedures. CMS received a request to restructure MS-DRGs 001 and 002 by removing all of the procedure codes that describe the insertion of a device, leaving only procedure codes 33.6 (Combined heart-lung transplantation) and 37.51 (Heart transplantation) in the heart transplant DRGs. The requestor believed that, within the existing MS-DRG grouping, CMS is underpaying for services to patients who have a VAD implanted and overpaying for services to patients who have heart transplantations. The requestor believed that the recommended restructuring “would allow defined grouping of cases with the higher level of resource [sic] required reflected in payment.”

CMS reviewed FY 2011 MedPAR data and found that the average length of stay for heart transplantations and VAD implantation cases are very similar (35.1 days for heart transplantations and 36.63 days for VAD implantations). However, CMS found that the average cost of VAD implantation cases alone is higher than the average cost of heart transplantation cases. CMS concluded, however, that this higher average cost could be attributable to the cost of the device itself and that, to create a new MS-DRG specific to VAD implantation would require basing that MS-DRG almost exclusively on the presence of a single procedure code (Procedure Code 37.66 (Insertion of implantable heart assist system (VAD))), and involving a device currently approved by the FDA for distribution by only one manufacturer. CMS noted that other manufacturers are reported to be in clinical trials with their VADs,

which may impact device costs; expressed concern that establishing a separate DRG solely on the presence of a single procedure code and device would negate the concept of averaging upon which the DRG system is based; and indicated that ignoring the structure of the MS-DRG system solely for the purpose of increasing payment for one device would set an unwarranted precedent for defining all of the other MS-DRGs in the system.

In addition, due to the relative infrequency of the procedures involved, CMS could not create multiple MS-DRGs for VAD implantation without either overpaying for some VAD procedures or subdividing the new VAD MS-DRG in a way that is inconsistent with its own rules. For these reasons, for FY 2013, CMS decided not to propose any changes to the structure of MS-DRGs 001 and 002.

In the past, ASTS urged CMS to examine the cost data for the various procedures included in MS-DRGs 001 and 002 to determine if the inclusion of VAD procedures in these DRGs results in reduction in the DRG weights for heart and heart/lung transplants. ASTS further urged CMS to separate the VAD procedures into separate DRG(s) if it appears that their inclusion in DRGs MS-DRGs 001 and 002 results in the reduction of the DRG weights for heart and heart/lung transplants. It now appears that, primarily due to the cost of the VAD device, the inclusion of VAD procedures in the same DRGs as heart and heart/lung transplant may actually increase the weights for DRGs 001 and 002. ASTS, in its comments, supported CMS' proposal not to establish separate DRGs for VAD procedures.

Cost and Quality Incentive Programs

- *Value-Based Purchasing Program Modified to Include Medicare "Spending per Beneficiary" Measure*

CMS finalized its proposal to modify the Hospital Value-Based Purchasing Program (VBP Program) to add the Medicare spending per beneficiary measure to the program but followed through on its proposal to postpone implementation until 2015. This measure would include all Part A and Part B payments (after removing differences attributable to geographic payment adjustments and other payment factors) from three days prior to an inpatient hospital admission through 30 days post discharge with certain exclusions. The measure would be risk-adjusted for the beneficiary's age and severity of illness. ASTS, in its comments on the IPPS rule, had urged caution in applying this measure to transplant patients, noting that transplant patients may receive follow-up care in a location that is geographically distant from the transplant center and outside of its control. In the preamble to the final rule CMS addressed this comment, stating that it believed hospitals could work to improve care coordination even if the post-discharge care is furnished at a site distant from the acute care hospital. ASTS had also expressed concern that this measure would not be adequately risk adjusted for transplant patients. CMS again disagreed, stating that the HCC risk adjustment methodology it uses would appropriately address the higher costs associated with caring for transplant patients.

- *Minor Changes to Inpatient Quality Reporting Program*

CMS has added new measures for overall readmissions and readmissions relating to hip and knee

replacement procedures beginning in 2015, and the use of surgery checklists beginning in 2016. CMS clarified that it is not prescribing the use of any particular surgery checklist and, in response to comments expressing concern about the number of required pauses or “time-outs” stated that it is up to each hospital to determine this and no specific number of time-outs is required. Also added was a new survey measure to the Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) measures to assess the quality of patients’ care transitions.

- *Two New Hospital Acquired Conditions (HACs) Finalized*

CMS is finalizing its proposal to add two new conditions to its program addressing Hospital Acquired Conditions (HACs): Surgical Site Infection (SSI) Following Cardiac Implantable Electronic Device (CIED) Procedures and Iatrogenic Pneumothorax with Venous Catheterization. It has also added diagnosis codes 999.32 (Bloodstream infection due to central venous catheter) and 999.33 (Local infection due to central venous catheter) to the Vascular Catheter-Associated Infection HAC category for FY 2013. The projected savings estimate for these two conditions is less than \$1 million, with the total estimated savings from HACs for FY 2013 projected at \$24 million.

Outlier Threshold

CMS has finalized the outlier threshold for FY 2013 equal to the prospective payment rate for the DRG, plus any IME and DSH payments, plus any add-on payments for new technology, plus \$21,821. This represents a decrease of \$564 from the final FY 2012 outlier threshold of \$22,385. Since FY 2009, the outlier fixed-loss cost threshold has been between \$20,185 and \$23,140.

Attachment A

MS-DRG Title	DRG No.	2011 DRG Weight	2012 DRG Weight	2013 DRG Weight	% Change Between 2012 and 2013 DRG Weights)
Heart Tx or Implant of Heart Assist System w/MCC	001	26.3441	24.2794	26.0295	7.2%
Heart Tx or Implant of Heart Assist System w/o MCC	002	13.6127	13.9700	13.9131	(-.4%)
Liver Tx w/MCC or intestinal Tx	005	10.1771	10.4814	10.9894	4.8%
Liver Transplant w/o MCC	006	4.8353	5.1059	4.7178	(-7.6%)
Lung Tx	007	9.3550	9.8710	9.6127	(-2.6%)
Simultaneous Kidney/Pancreas Tx	008	4.9632	5.1176	5.1110	(-.1%)
Pancreas Tx	010	3.7831	3.8900	3.8954	.1%
Kidney Tx	652	3.0442	3.0507	3.0825	1%