

Hospital leaders welcome changes in Medicare inpatient payment policy

“Welcome relief” is how Logansport (IN) Memorial Hospital CEO Brian Shockney describes the final Medicare inpatient prospective payment system rule for fiscal year (FY) 2010.

Released July 31 by the Centers for Medicare & Medicaid Services (CMS), the final rule reverses course on a May proposal that would have paid hospitals even less under Medicare than they receive today. “It is rare when CMS makes numerous changes in a final rule, but without these changes Memorial would be facing further reductions in staff and services,” Shockney says. “It’s good to see that CMS understands that the costs of caring for patients does not arbitrarily decline as staffing, supplies and energy costs rise for rural hospitals like mine.”

Under the final rule, hospitals will receive a market basket update of 2.1% in fiscal year 2010. But, perhaps more importantly, hospitals will not see a reduction in payments to account for what CMS claims is the effect of coding on classification changes that do not reflect increases in a patient’s severity of illness. That marks a significant change from CMS’ May proposal to reduce hospitals’ payments by 1.9%.

Heeding concerns raised by the AHA and others, CMS decided to hold off making the adjustment until it has complete claims data from FY 2009. The agency said it will consider phasing in adjustments beginning in FY 2011, depending on further data analysis.

In good news for teaching hospitals, the final rule maintains the indirect medical education (IME) adjustment to capital pay-

ments. The proposed rule called for eliminating the IME adjustment for capital-related costs, which would have cut teaching hospital payments by \$350 million in FY 2010 and about \$5 billion over 10 years.

Teaching hospital executives like Garry Scheib, executive director of the Hospital of University of Pennsylvania in Philadelphia, and Peter Slavin, M.D., president of Massachusetts General Hospital in Boston, hail the policy change, and note that capital payments are vital to teaching hospitals’ investments in medical technology, maintenance and improvements in facilities.

“The reversal of the proposal to cut these payments shows that CMS recognizes the important role that teaching hospitals play in our nation’s health care system, and reaffirms its commitment to helping us continue our mission of providing the best medical education in the world,” says Scheib, an AHA board member.

“Capital IME cuts would have directly affected Medicare beneficiaries by reducing funding for the hospitals that serve their



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individual and often complex needs,” added Slavin. “I am pleased CMS decided to maintain these important payments.”

The AHA had pressed both CMS and Congress for changes to the proposed rule, and encouraged hospital leaders last May to call on their lawmakers to oppose the hospital cuts it contained.

AHA President and CEO Rich Umbdenstock says the association is pleased that CMS “recognized that hospitals are caring for increasingly complex patients and reduced planned cuts that would have challenged hospitals’ mission of caring for patients.” By setting aside proposed coding-offset and capital IME cuts, the rule “will help hospitals maintain the resources necessary to continue providing services for the people and communities they serve,” he says.

Memorial Hospital’s Shockney hopes the final Medicare rule is a “sign of a new relationship between America’s hospitals and a CMS that views collaboration and input as important to decision making.” He says AHA and grassroots advocacy played a major role in improving inpatient payment policies in the regulation, which takes effect Oct. 1.

“The AHA works hard to ensure that the interest of patients comes first by advocating for fair hospital reimbursements,” he says. “We’re thankful for the strong voice that the AHA provides to ensure our patients continue getting the services they deserve.”

AHA members can get more information on the final rule by going to the “Advocacy” section of www.aha.org and clicking on “AHA Advisories” for Aug. 13.