

CLIENT ADVISORY

CMS ISSUES HOSPITAL IPPS FINAL RULE FOR FY 2008

The Centers for Medicare and Medicaid Services (CMS) recently issued a final rule for the hospital inpatient prospective payment system (IPPS) for fiscal year 2008. Although the final rule contains several amendments to the IPPS, we would like to take this opportunity to point out two of the more notable changes which may have an impact upon Medicare reimbursement for hospitals. Specifically, the final rule provides that: (1) the existing 538 diagnostic related groups (DRGs) will be replaced by 745 new severity-adjusted diagnosis-related groups (Medicare Severity DRGs or MS-DRGs); and (2) beginning in fiscal year 2009, Medicare will no longer reimburse hospitals for costs related to preventable conditions, mistakes and infections resulting from a hospital admission.

MEDICARE SEVERITY DRGS

The final rule replaces the existing 538 DRGs with 745 severity-adjusted DRGs. The severity-adjusted DRGs will, according to CMS, more accurately reflect the costs a hospital incurs for caring for a patient. In particular, the severity-adjusted DRGs will account more fully for the severity of each patient's condition. As a result, hospitals serving more severely ill patients will receive an increase in reimbursement under the severity-adjusted DRGs. According to CMS, without this change in the DRG system, aggregate payments for inpatient hospital services would increase significantly and the Medicare Part A Trust Fund would be exhausted an estimated 18 months earlier than currently projected. Furthermore, CMS believes the new DRG system will prevent "cherry picking"—the practice of treating only the healthiest and most profitable patients.

The severity-adjusted DRGs will be phased in over a two year period beginning on October 1, 2007. Hospitals need to be aware of the importance of documenting every complication and comorbidity under the new severity-adjusted DRGs.

HOSPITAL MISTAKES

The final rule also provides that beginning on October 1, 2008, CMS will not reimburse a hospital for treating patients who suffer from the following conditions, unless they are documented as present on admission:

- Serious preventable event-- Object left in surgery
- Serious preventable event-- Air embolism
- Serious preventable event—Blood incompatibility
- Catheter-associated urinary tract infections
- Pressure ulcers (decubitus ulcers)
- Vascular catheter-associated infection
- Surgical site infection—Mediastinitis after coronary artery bypass graft (CABG) surgery
- Falls

CMS has indicated that it will seek to add three more conditions to the list next year. According to a statement issued by CMS, the new rule is meant to “improve the accuracy of Medicare’s payment under the acute care hospital inpatient prospective payment system, while providing additional incentives for hospitals to engage in quality improvement efforts.” Hospitals will have to incur the costs of treating these conditions. Pursuant to the Deficit Reduction Act of 2005, hospitals will not be permitted to bill a beneficiary for any charges associated with a hospital-acquired complication.

The Rogers Law Firm will monitor any developments with respect to the IPPS final rule and will provide updates accordingly. In the meantime, if you have any questions regarding the IPPS final rule, please feel free to contact any of the attorneys at The Rogers Law Firm.

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