

Inpatient Prospective Payment System (IPPS) Federal Fiscal Year (FFY) 2020 Final Rule Analysis

Estimated Change in Medicare Payments

FFY 2019 Final Rule Correction Notice Compared to FFY 2020 Final Rule

Oregon

	Operating		Capital		Total	
	Dollar Impact	% Change	Dollar Impact	% Change	Dollar Impact	% Change
Estimated FFY 2019 IPPS Payments	\$1,063,000,600		\$78,785,100		\$1,141,785,800	
Provider Type Changes	\$0	0.0%	\$0	0.0%	\$0	0.0%
Marketbasket Update (Includes Budget Neutrality)	\$29,561,700	2.8%	\$833,800	1.1%	\$30,395,800	2.7%
ACA-Mandated Marketbasket Reductions	(\$3,993,100)	-0.4%	<i>Not Applicable</i>		(\$3,993,100)	-0.3%
Forecast Error Adjustment	<i>Not Applicable</i>		\$0	0.0%	\$0	0.0%
MACRA-Mandated Coding Adjustment	\$4,483,600	0.4%	<i>Not Applicable</i>		\$4,483,600	0.4%
Wage Index/GAF (Wage Data and Reclassification)	\$1,566,900	0.1%	\$116,600	0.1%	\$1,683,200	0.1%
Wage Index/GAF (Other Changes)	(\$362,300)	0.0%	(\$50,700)	-0.1%	(\$413,000)	0.0%
> Rural Reclasses Removed from Rural WI Calc	\$2,915,500	0.3%	\$236,800	0.3%	\$3,152,300	0.3%
> Increasing Bottom Quartile Wage Index Values	\$0	0.0%	\$0	0.0%	\$0	0.0%
> Bottom Quartile Increase BN Adjustment	(\$2,079,400)	-0.2%	(\$182,300)	-0.2%	(\$2,261,900)	-0.2%
> Application of 5% Stop Loss Adjustment	\$0	0.0%	\$0	0.0%	\$0	0.0%
> 5% Stop-Loss BN Adjustment	(\$1,198,300)	-0.1%	(\$105,000)	-0.1%	(\$1,302,800)	-0.1%
DSH: UCC Payment Changes [1]	(\$8,886,800)	-0.8%			(\$8,886,800)	-0.8%
> DSH UCC Distribution Factor Change	(\$9,435,000)	-0.9%	<i>Not Applicable</i>		(\$9,435,000)	-0.8%
Change in Hospital Specific Rate	\$0	0.0%			\$0	0.0%
MS-DRG Updates	\$1,659,700	0.2%	\$146,800	0.2%	\$1,806,400	0.2%
Quality Based Payment Adjustments [2]	\$690,800	0.1%	(\$10,900)	0.0%	\$679,800	0.1%
Net Change due to Low Volume Adjustment	\$229,700	0.0%	\$10,500	0.0%	\$240,200	0.0%
Estimated FFY 2020 IPPS Payments	\$1,087,951,000		\$79,831,000		\$1,167,781,400	
Total Estimated Change FFY 2019 to FFY 2020[‡]	\$24,950,400	2.3% ▲	\$1,045,900	1.3% ▲	\$25,995,500	2.3% ▲

[‡] The values shown in the table above do not include the 2.0% sequestration reduction to all lines of Medicare payment authorized by Congress through FFY 2027. It is estimated that the impact of sequestration on FFY 2020 IPPS-specific payments will be: -\$23,355,700.

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¹ Detail on DSH UCC Payment Changes

The table to the right provides detail on DSH payment changes specific to the UCC component of the DSH program. National DSH program information is from the FFY 2019 IPPS final rule correction notice and FFY 2020 IPPS final rule. Hospital-specific UCC payment factors are from the FFY 2019 and FFY 2020 DSH Supplemental files published with those same rules.

	FFY 2019	FFY 2020	Change
Total Funding for UCC Payments	\$12.254 Billion	\$12.438 Billion	+\$0.183 Billion
ACA-Mandated Reduction	-32.49%	-32.86%	-0.37%
Redistribution Pool	\$8.273 Billion	\$8.351 Billion	+\$0.078 Billion
Hospital Specific Payment Factor	Hospital-Specific		
Hospital UCC Payment Amount	\$58,355,300	\$49,468,200	(\$8,886,800)

² Detail on Quality-Based Payment Adjustments

The table to the right provides individual impact estimates for performance under the Value Based Purchasing (VBP), Readmissions Reduction (RRP), and Hospital-Acquired Condition (HAC) Reduction Programs for each of FFY 2019 and FFY 2020. The FFY 2020 Readmissions adjustment factors are from the FFY 2020 IPPS final rule impact file, and are based on the FFY 2019 adjustment factors. CMS will release the final rule Table 15 after hospitals have had the opportunity to review and correct their data. The list of hospitals that could potentially be subject to the FFY 2020 HAC Reduction Program penalty is derived from hospital quality data available with the 1st quarter 2019 update of Hospital Compare (CMS did not provide this list with the rule). The FFY 2020 VBP adjustment factor is estimated based on hospital quality data available with the 1st quarter 2019 update of Hospital Compare (CMS' FFY 2020 VBP proxy adjustment factors are based on a prior program year). The FFY 2019 VBP and Readmissions adjustment factors are from the FFY 2019 IPPS final rule correction notice, final FFY 2019 HAC flags are from the 4th quarter 2018 update of Hospital Compare.

	FFY 2019	FFY 2020
Base Operating Dollars Subject to VBP and RRP	\$885,877,900	\$916,524,800
Value Based Purchasing Program Impact	\$4,984,500	\$5,923,600
Readmissions Reduction Program Impact	(\$1,366,400)	(\$1,409,800)
HAC Program Impact (Total Revenue)	(\$1,693,800)	(\$1,909,400)
Net Impact of Quality Programs	\$1,924,300	\$2,604,400

Notes:

This analysis is intended to show providers how Medicare inpatient fee-for-service (FFS) payments would change from FFY 2019 to FFY 2020 based on the policies set forth in the FFY 2020 IPPS final rule.

- This analysis does not include estimates for outlier payments, payments for services provided to Medicare Advantage patients, electronic health record incentive payments, nor modifications in FFS payments as a result of hospital participation in new payment models being tested under Medicare demonstration/pilot programs.

- Estimated IPPS payments for FFYs 2019 and 2020 are calculated using individual hospital characteristics provided by CMS in the FFY 2020 IPPS final rule Impact and DSH Supplemental files. Wage indexes, GAFs, and federal operating/capital rates are from the FFY 2019 final rule correction notice and FFY 2020 final rule Federal Registers.

- This analysis was developed to measure the impact of IPPS policy changes only. Hospital volume, patient mix, traditional DSH, and IME factors are held constant at the values published in the FFY 2020 final rule impact file.

- Dollar impacts in this analysis may differ from those provided by other organizations/associations due to differences in source data and analytic methods. Individual percentages and dollars shown in this analysis may not add to total due to compounding and rounding. Dollar amounts less than \$50 and percentages less than 0.05% will appear as zeros due to rounding. Impact percentages are derived by comparing values of individual impacts to base year revenue. Due to the influence of the DSH uncompensated care pool, which is not tied to the inpatient rate, percentage impacts may not tie to the values listed below for component updates (i.e. marketbasket, ACA, etc.).

FFY 2020 IPPS Final Rule and Congressionally-Mandated Payment Changes Modeled in this Analysis:

- Provider Type Change: Changes to inpatient payments resulting from a change in provider type. This includes adjustments to both hospital specific rate (if received) and changes to the traditional, rate-based DSH payment calculation for hospitals that change special status.

- Marketbasket Update (Includes Budget Neutrality): 3.0% operating marketbasket increase and 1.5% capital marketbasket increase. Budget neutrality factors reduce the operating update by 0.04% and reduce the capital update by 0.43%.

- ACA Mandated Marketbasket Reduction: 0.4 percentage point (PPT) productivity reduction to the marketbasket authorized by the Affordable Care Act (ACA) of 2010.

- MACRA-Mandated Coding Adjustment: 0.5% increase to the federal operating rate to prospectively increase the rate after the American Taxpayer Relief Act (ATRA) of 2012 retrospectively adjusted for what CMS claimed to be over-payments due to coding improvements.

- Wage Index/GAF: Updated wage index and capital GAF values; including any impact due to new wage data; reclassifications; and other adjustments to the wage indexes. A separate value is inclusive of all of CMS' changes to the calculation of the wage index values of hospitals for FFY 2020, and their associated budget neutrality adjustments. These changes are broken out below the overall impact, and include those impacts due to: urban hospitals redesignated as rural no longer impacting the rural wage index of a state; the increase to the wage index values of those hospitals in the bottom quartile of wage index values nationally; and the application of the 5% stop loss adjustment to those hospitals whose FFY 2020 wage index would be less than 95% of what it was for FFY 2019.

- UCC Payment Changes: Changes to UCC payments under the ACA-mandated DSH payment formula. In this analysis, DSH and UCC payment eligibility are held constant at the eligibility status predicted by CMS in its FFY 2020 final rule DSH Supplemental File. Changes in hospital UCC payments that result from changes in the national UCC pool dollars are isolated to the list of DSH-eligible hospitals in the FFY 2020 DSH supplemental file. The impacts also include year-to-year changes in hospital-specific UCC payment factors (factor 3) for these hospitals, the impact of which is displayed separately.

- Change in Hospital Specific Rate: Reflects the impact to special status hospitals (SCHs, MDHs, or EACHs) where there is a change in payment status (hospital-specific vs federal) or where the value of the hospital-specific/federal blend for MDHs is changed due to a variation in uncompensated care payments.

- MS-DRG Updates: Changes due to updates to the DRG groupings and weights. The impact shown is the case-mix change resulting from running the FFY 2018 Medicare claims data through the two DRG Grouper software programs (Grouper Version 36 for FFY 2019 and Grouper Version 37 for FFY 2020) and assigning the respective MS-DRG weights for each year.

- Quality-Based Payment Adjustments: Year-to-year change in hospital-specific quality performance and subsequent adjustments under the VBP, Readmissions Reduction, and HAC Reduction programs.

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- Low Volume Adjustment: Reflects the change in overall payments made as a result of the Low Volume Hospital (LVH) Adjustment program. The LVH adjustment factors are from FFY 2019 IPPS final rule correction notice and the FFY 2020 IPPS final rule impact files. Distance eligibility for FFY 2019 was determined using the most recent 3 years of cost report data (2016, 2017 and 2018) as well as those that are shown to receive the adjustment in FFY 2020. If a hospital reported low volume payments in their most recent cost report, or had reported in its most recent year that the distance requirement had been met on Worksheet S-2, it is assumed that the hospital had met the distance requirement of the low volume adjustment. It is worth noting that, due to the Bipartisan Budget Act of 2018, this adjustment was based on Medicare discharges prior to FFY 2019, and is based on Total discharges for FFYs 2019-2022.

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	Operating		Capital		Total	
	Dollar Impact	% Change	Dollar Impact	% Change	Dollar Impact	% Change
Estimated FFY 2019 IPPS Payments	\$112,555,702,300		\$8,322,030,600		\$120,877,739,200	
Provider Type Changes	(\$848,600)	0.0%	(\$19,415,100)	-0.2%	(\$20,263,700)	0.0%
Marketbasket Update (Includes Budget Neutrality)	\$3,103,356,300	2.8%	\$88,001,800	1.1%	\$3,191,357,200	2.6%
ACA-Mandated Marketbasket Reductions	(\$419,182,200)	-0.4%	Not Applicable		(\$419,182,200)	-0.3%
Forecast Error Adjustment	Not Applicable		\$0	0.0%	\$0	0.0%
MACRA-Mandated Coding Adjustment	\$498,299,500	0.4%	Not Applicable		\$498,299,500	0.4%
Wage Index/GAF (Wage Data and Reclassification)	(\$94,730,500)	-0.1%	(\$9,629,400)	-0.1%	(\$104,356,200)	-0.1%
Wage Index/GAF (Other Changes)	(\$31,480,000)	0.0%	\$1,671,100	0.0%	(\$29,805,700)	0.0%
> Rural Reclasses Removed from Rural WI Calc	(\$1,514,500)	0.0%	\$1,778,100	0.0%	\$265,900	0.0%
> Increasing Bottom Quartile Wage Index Values	\$198,369,400	0.2%	\$20,671,400	0.2%	\$219,041,900	0.2%
> Bottom Quartile Increase BN Adjustment	(\$217,646,300)	-0.2%	(\$19,175,900)	-0.2%	(\$236,822,900)	-0.2%
> Application of 5% Stop Loss Adjustment	\$114,831,800	0.1%	\$9,455,600	0.1%	\$124,286,600	0.1%
> 5% Stop-Loss BN Adjustment	(\$125,518,300)	-0.1%	(\$11,054,700)	-0.1%	(\$136,572,800)	-0.1%
DSH: UCC Payment Changes [1]	\$117,699,900	0.1%			\$117,699,900	0.1%
> DSH UCC Distribution Factor Change	\$40,670,100	0.0%	Not Applicable		\$40,670,100	0.0%
Change in Hospital Specific Rate	\$735,000	0.0%			\$735,000	0.0%
MS-DRG Updates	\$249,145,600	0.2%	\$20,383,200	0.2%	\$269,532,900	0.2%
Quality Based Payment Adjustments [2]	(\$49,141,200)	0.0%	(\$2,222,700)	0.0%	(\$51,364,700)	0.0%
Net Change due to Low Volume Adjustment	\$33,699,900	0.0%	\$1,711,400	0.0%	\$35,412,600	0.0%
Estimated FFY 2020 IPPS Payments	\$115,963,276,100		\$8,402,536,300		\$124,365,808,600	
Total Estimated Change FFY 2019 to FFY 2020[‡]	\$3,407,573,800	3.0% ▲	\$80,505,700	1.0% ▲	\$3,488,071,800	2.9% ▲

[‡] The values shown in the table above do not include the 2.0% sequestration reduction to all lines of Medicare payment authorized by Congress through FFY 2027. It is estimated that the impact of sequestration on FFY 2020 IPPS-specific payments will be: -\$2,487,318,800.

¹ Detail on DSH UCC Payment Changes

	FFY 2019	FFY 2020	Change
Total Funding for UCC Payments	\$12.254 Billion	\$12.438 Billion	+\$0.183 Billion
ACA-Mandated Reduction	-32.49%	-32.86%	-0.37%
Hospital Specific Payment Factor	Hospital-Specific		
UCC Payment Amount	\$8.273 Billion	\$8.351 Billion	+\$0.078 Billion

The table to the right provides detail on DSH payment changes specific to the UCC component of the DSH program. National DSH program information is from the FFY 2019 IPPS final rule correction notice and FFY 2020 IPPS final rule. Hospital-specific UCC payment factors are from the FFY 2019 and FFY 2020 DSH Supplemental files published with those same rules.

² Detail on Quality-Based Payment Adjustments

	FFY 2020
Base Operating Dollars Subject to VBP and RRP	\$95,895,906,700
Value Based Purchasing Program Impact	\$0
Readmissions Reduction Program Impact	(\$561,689,400)
HAC Program Impact (Total Revenue)	(\$376,847,300)
Net Impact of Quality Programs	(\$938,536,700)

The table to the right provides individual impact estimates for performance under the Value Based Purchasing (VBP), Readmissions Reduction, and Hospital-Acquired Condition (HAC) Reduction Programs for each of FFY 2019 and FFY 2020. The FFY 2020 Readmissions adjustment factors are from the FFY 2020 IPPS final rule impact file, and are based on the FFY 2019 adjustment factors. CMS will release the final rule Table 15 after hospitals have had the opportunity to review and correct their data. The list of hospitals that could potentially be subject to the FFY 2020 HAC Reduction Program penalty is derived from hospital quality data available with the 1st quarter 2019 update of Hospital Compare (CMS did not provide this list with the rule). The FFY 2020 VBP adjustment factor is estimated based on hospital quality data available with the 1st quarter 2019 update of Hospital Compare (CMS' FFY 2020 VBP proxy adjustment factors are based on a prior program year).

Notes:

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- Provider Type Change: Changes to inpatient payments resulting from a change in provider type. This includes adjustments to both hospital specific rate (if received) and changes to the traditional, rate-based DSH payment calculation for hospitals that change special status.

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- Marketbasket Update (Includes Budget Neutrality): 3.0% operating marketbasket increase and 1.5% capital marketbasket increase. Budget neutrality factors reduce the operating update by 0.04% and reduce the capital update by 0.43%.
- ACA Mandated Marketbasket Reduction: 0.4 percentage point (PPT) productivity reduction to the marketbasket authorized by the Affordable Care Act (ACA) of 2010.
- MACRA-Mandated Coding Adjustment: 0.5% increase to the federal operating rate to prospectively increase the rate after the American Taxpayer Relief Act (ATRA) of 2012 retrospectively adjusted for what CMS claimed to be over-payments due to coding improvements.
- Wage Index/GAF: Updated wage index and capital GAF values; including any impact due to new wage data; reclassifications; and other adjustments to the wage indexes. A separate value is inclusive of all of CMS' changes to the calculation of the wage index values of hospitals for FFY 2020, and their associated budget neutrality adjustments. These changes are broken out below the overall impact, and include those impacts due to: urban hospitals redesignated as rural no longer impacting the rural wage index of a state; the increase to the wage index values of those hospitals in the bottom quartile of wage index values nationally; and the application of the 5% stop loss adjustment to those hospitals whose FFY 2020 wage index would be less than 95% of what it was for FFY 2019.
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- Change in Hospital Specific Rate: Reflects the impact to special status hospitals (SCHs, MDHs, or EACHs) where there is a change in payment status (hospital-specific vs federal) or where the value of the hospital-specific/federal blend for MDHs is changed due to a variation in uncompensated care payments.
- MS-DRG Updates: Changes due to updates to the DRG groupings and weights. The impact shown is the case-mix change resulting from running the FFY 2018 Medicare claims data through the two DRG Grouper software programs (Grouper Version 36 for FFY 2019 and Grouper Version 37 for FFY 2020) and assigning the respective MS-DRG weights for each year.
- Quality-Based Payment Adjustments: Year-to-year change in hospital-specific quality performance and subsequent adjustments under the VBP, Readmissions Reduction, and HAC Reduction programs. Due to the use of slightly different revenue data used to calculate VBP program adjustment factors for the FFY 2020 program year, the estimated national VBP impact is not exactly budget neutral as required by law. The nationwide VBP impacts shown above have been set to zero to correspond with the law requirements. As a result, estimated FFY 2020 dollars shown will not match the sum of the individual policy impacts shown above.
- Low Volume Adjustment: Reflects the change in overall payments made as a result of the Low Volume Hospital (LVH) Adjustment program. The LVH adjustment factors are from FFY 2019 IPPS final rule correction notice and the FFY 2020 IPPS final rule impact files. Distance eligibility for FFY 2019 was determined using the most recent 3 years of cost report data (2016, 2017 and 2018) as well as those that are shown to receive the adjustment in FFY 2020. If a hospital reported low volume payments in their most recent cost report, or had reported in its most recent year that the distance requirement had been met on Worksheet S-2, it is assumed that the hospital had met the distance requirement of the low volume adjustment. It is worth noting that, due to the Bipartisan Budget Act of 2018, this adjustment was based on Medicare discharges prior to FFY 2019, and is based on Total discharges for FFYs 2019-2022.