Medicare FY 2013 Final Rules for SNF, IRF

Final rules updating Medicare payments for skilled nursing facilities (SNF) and inpatient rehabilitation facilities (IRF) for FY 2012 were issued July 29. The SNF proposal implements a major cut associated with recalibrating the case-mix levels of the SNF PPS – $4.5 billion, or 12.6% – to adjust for greater than expected use of high-paying payment units added to the SNF PPS in October 2010.

The regulation’s net reduction of $3.87 billion (11.1%) takes into account the recalibration, a 2.7% market-basket increase and a negative 1.0% productive adjustment required by the Patient Protection and Affordable Care Act (ACA). In addition, the regulation includes a number of more specific therapy reporting rules intended to more accurately link therapy and payment levels. With regard to group therapy, payment will now be allocated based on the number of patients in the group, with group size being limited to four patients. The Rule takes effect on October 1, with CMS electing not to phase-in the recalibration cut over multiple years.

The Final Rule for the IRF prospective payment system includes a market-basket update of 2.9%, a 1.0% cut mandated by the Patient Protection and Affordable Care Act and other provisions, for a net update of 2.2% – an increase of $150 million over FY 2011 levels. In addition, the Rule implements an IRF quality reporting system, as required by the ACA.

Under the new system, IRFs will be required to submit data on two quality measures: catheter-associated urinary tract infections and new or worsening pressure ulcers. Beginning in FY 2014, IRFs that do not submit these data will face a 2% payment reduction. In a change from the proposed rule, the agency elected to freeze the facility-level adjustments at FY 2011 levels for one additional year to study the current methodologies. The IRF Rule also takes effect on October 1.

AHA Annual Meeting Keynoter – Steve Uzzell

Anyone who has had the good fortune to drive on a true open road has experienced the remarkable mind-opening phenomenon that results: Our imagination is released and problems disappear quickly in solution. Why does this work? No one really knows, but most everyone acknowledges the effect, something world-class photographer Steve Uzzell calls “the Spirit of the Open Road.”

Join us October 6 for the Arkansas Hospital Association’s 81st Annual Meeting and Trade Show and hear keynoter Steve Uzzell challenge the audience to explore creative problem solving. As professionals, the continuum of every day is spent solving problems, so how do you access the Spirit of the Open Road and turn it into an attitude that overcomes life’s daily challenges?

Uzzell uses his mind-stretching images as illustrations about possibility and creativity, allowing you to make any venture an adventure. Learn to put this perspective to work for you every day – as you solve problems, create ideas and live a fuller life. One of the world’s most sought-after advertising and corporate photographers, Uzzell started with National Geographic and now shoots for clients that include airlines, automobile manufacturers, travel and fashion magazines both in
the United States and abroad. Immediately prior to the keynote address, awards will be presented to two hospital CEOs by the Arkansas Hospital Auxiliary Association. A copy of the October 5-7 annual meeting brochure containing registration information is available at [http://www.arkhospitals.org/events/annual-meeting](http://www.arkhospitals.org/events/annual-meeting) or by calling (501) 224-7878.

**Public Hearing Scheduled for State HDDS Expansion**

The Arkansas Department of Health (ADH) will hold a public hearing on Wednesday, August 31, 2011 from 10:00-11:00 a.m. at the ADH auditorium, 4815 W. Markham Street, Little Rock. The hearing is related to the ADH’s proposed amendments to the rules and regulations pertaining to the Hospital Discharge Data System, specifically to add for the collection of Emergency Department (ED) data and is being held in conformance with the Administrative Procedures Act (Act 434 of 1967 as amended).

ADH officials notified hospitals in June that the department is moving forward with plans for the collection of ED data in addition to the inpatient discharge data, which the section has gathered since 1997. Reporting requirements are to be based on recommendations from the National Association of Health Data Organizations (NAHDO), which conclude that the most cost-effective model, in terms of provider reporting burden and implementation costs, is to expand the current inpatient data collection system infrastructure as a base and use of the UB-04 standard for data reporting.

The rules and regulations most likely will go before the Administrative Rules and Regulation Subcommittee and the Public Health, Welfare & Labor Committee in October. The Board of Health will review them for final approval in November. If all goes according to schedule, then the collection of ED data would start January 1, 2012, with the first quarter submission due May 10, 2012. As planned, the ED data reporting requirement will be similar to those of the current inpatient data collection system. The data will be submitted through the same secure FTP server.

A draft copy of the proposed changes to the Hospital Discharge Data Rules and Regulations and submittal guide are available on the Arkansas Hospital Association Web site at [http://www.arkhospitals.org/archive/MiscPDFFiles/HDDSProposedRR.pdf](http://www.arkhospitals.org/archive/MiscPDFFiles/HDDSProposedRR.pdf). Please call (501) 661-2231 or e-mail Lynda.lehing@arkansas.gov to request a hard copy.

**Bill Takes 340B Drug Program to Inpatients**

Reps. Cathy McMorris Rodgers (R-WA), Bobby Rush (D-IL) and Jo Ann Emerson (R-MO) have introduced legislation supported by the American Hospital Association (AHA) that would extend the 340B drug discount program to the inpatient setting. The program currently applies only to outpatient prescriptions. Among its provisions, the 340B Improvement Act (H.R. 2674) would extend 340B prices to “orphan drugs” used by eligible rural and free-standing cancer hospitals to treat rare diseases and conditions, allow eligible rural and children’s hospitals to use the 340B discounts in clinics located more than 35 miles from the main hospital, and prohibit states from collecting National Drug Codes for 340B drugs from hospitals in the program. AHA supports extending the 340B discounts to the purchases of drugs used during inpatient hospital stays for safety-net hospitals, as well as to critical access hospitals (CAHs), sole community hospitals (SCHs), rural referral centers (RRCs) and Medicare-dependent hospitals for inpatient stays. AHA also supports allowing Medicare Dependent Hospitals access to the program. Importantly, this legislation also repeals the orphan drug exclusion and would allow rural and free-standing cancer hospitals access to discounted pharmaceuticals through the 340B program.
ACA to Slow Health Spending Growth Rate

National health spending is expected to grow by a record low 3.9% in 2010, to $2.6 trillion, primarily due to slower growth in Medicare Advantage payments and lower private spending associated with the recent recession. CMS estimates spending growth will average 4.9% between 2011 and 2013 (including a 29.4% cut in Medicare physician payments in 2012 unless Congress intervenes) and 8.3% in 2014, when the Patient Protection and Affordable Care Act (ACA) expands health coverage through Medicaid and state insurance exchanges.

The ACA is expected to increase health spending by an average 0.1 percentage point annually through 2020, while extending health coverage to nearly 30 million uninsured Americans. According to CMS estimates, spending for hospital care will slow to 4.6% growth in 2010 before growing 7.2% in 2014 and 6.2% per year from 2015-2020. The report was published online in Health Affairs and can be found at http://content.healthaffairs.org/content/early/2011/07/27/hlthaff.2011.0662.abstract.

NewsNotes About Arkansas Folks

Randy Fortner, FACHE, has resigned as president and CEO at Saline Memorial Hospital in Benton. Carla Robertson has been named interim administrator while a search is underway. Robertson was serving as the hospital’s director of revenue management and was a former chief financial officer for the facility. Fortner is a member of the Arkansas Foundation for Medical Care’s board of directors and by virtue of that position serves on the board of the Arkansas Hospital Association (AHA).

Jeff Johnston, president and CEO of St. Edward Mercy Medical Center in Fort Smith since 2008, has been named president of St. John’s Mercy Medical Center in Creve Coeur, Missouri, effective September 1. Johnston serves on the AHA board of directors representing the Arkansas Valley District. Kim Day, regional president for Sisters of Mercy Health Care’s central region, will serve as interim president for St. Edward Mercy while a search for a successor is underway.

The AHA Calendar

August 2011

2 Telemedicine: Understanding, Evaluating and Implementing – A Three-Part Webinar Series: Session 2 – Evaluating a Telemedicine Program

3 Discover careLearning Free Event

4 6th Annual careLearning Arkansas Users Group Meeting

4-5 Arkansas Society for Healthcare Marketing and Public Relations (ASHMPR) Summer Conference, Capital Hotel, Little Rock

5 Adapting to Meaningful Use – A Three-Part Webinar Series: Session 2 – Meeting Meaningful Use Requirements Using a Workflow-Driven Timeline

5 Arkansas Organization for Nurse Executives (AONE) 2011 Summer Conference, Baptist Health Medical Center-NLR

9 Hospital Profitability During an Era of Healthcare Reform – Webinar T2689

9 ICD-10 Coding Webinar Series: ICD-10 Steps for Success Part I

Information on all AHA educational programs and activities is available at www.arkhospitals.org/events.
Final Thoughts by Paul Cunningham

After a particularly heady rant about the goings-on in Washington over the past few weeks and the stalemate among the President, Democrat and Republican Congressional leaders and rank and file members of Congress on both sides of the aisle, a friend noted that the entire episode was absolutely Kafkaesque. It made him sound smarter than he really is. I suspect, like me, he’s never actually read a Kafka novel or short story. On the other hand, he did have a point.

Franz Kafka is generally considered one of the top German writers ever to live. The fact that he is grouped with the likes of Wolfgang von Goethe, Hermann Hesse, Heinrich von Kleist and Friedrich Nietzsche gives a strong hint as to why he’s not widely read by many in the U.S. who were born after, oh, say 1900. Frankly, I’d come closer to reading something by Ray Nitschke, the former All-Pro linebacker for the Green Bay Packers. But, that’s just me.

Unlike the others, Kafka is at least recognizable, even to the point of being incorporated into the American lexicon. The term “Kafkaesque” is used to describe disorienting, complex, almost surreal situations marked by an impending sense of evil and danger (i.e. the battle over deficit reduction and raising the debt ceiling is Kafkaesque). As they say, “If the shoe fits…”

Cut the deficit with spending reductions only? No, couple them with new revenues. Go for the whole ball of wax at one time? No, do a little bit now and more later. Tinker with structural changes to Social Security and Medicare? No, respect their status as the third rail of American politics. Make certain that the U.S. can pay its creditors after August 2? No, tinker around like Nero while Rome burned and initiate the launch sequence toward a potential global financial Armageddon. Do something to make a difference? No, do something to make a political advantage in the next election. Those are a few of the incongruous messages, expressed or implied, that have been tapped out while opposing factions played an elaborate game of chicken with our futures at stake, each waiting on the other to abandon some of their preconceived notions and swerve.

The differences are not such polar opposites when it comes to the possible fallout on hospitals. None of it is good. The Simpson-Bowles Deficit Reduction Commission, the President’s own FY 2012 budget request to Congress, his April 2011 deficit reduction framework, and the House-passed Republican budget resolution for FY 2012 each include proposals with devastating impact on Medicare and/or Medicaid reimbursements for hospitals. All are on the table and it’s likely that some of them will show up in the final agreement. The pending Evils awaiting the nation’s hospitals lay behind Doors #1, #2 and #3. We’re just not sure yet what they are.

Medicare stands to lose another $100 billion or more, possibly a lot more, over the next 10 years, with hospital payments for bad debts and Graduate Medical Education gravely at risk. And, it won’t be nearly as surprising to find that the agreement strengthens the Independent Payment Advisory Board’s healthcare provider rate-setting authority as it will if things remain as is.

There’s not much to look forward to when it comes to Medicaid, either. It is actually the primary target. Ratcheting down on the use of Medicaid provider taxes, or eliminating them entirely, and restructuring the formula that determines how much it costs states to “buy” federal Medicaid dollars could save the Feds at least $100 billion across ten years but leave states holding the bag. Turning Medicaid into a Block Grant Program reduces federal support up to $300 billion.

The pending agreement over the past weekend includes setting overall federal annual spending targets and implementing automatic cuts if Congress doesn’t adopt changes to achieve them. That yields enormous “savings” to both Medicare and Medicaid, with hospitals facing an estimated loss of hundreds of billions of dollars over the next decade.

We’ve waited impatiently with one eye on the calendar and the other on our 401(K) plans, hoping the President and Congress would veer the car away from the cliff. They may have succeeded, but the fact that they’ve come so close to the edge illustrates the dangers of being driven solely by the motive that underpins The Dry Rock, a classic short story by another writer, American author Irwin Shaw. That’s one I really did read, years ago. As my stoic high school American Lit teacher, Edwin Palmer, once cautioned, people who believe they are safely above the rising tide can drown much too easily if standing only on the dry rock – of principle.