



The Haves and Have Nots of the IPPS 2022 Final Rule

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“Haves and Have Nots” Payment Trends and Implications

PYA Regulatory Roundup Series

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- Comparison of fiscal year (“FY”) FY2022 vs FY2021 rates
 - Evaluate Sample Hospital Base Rates

- Wage Index “winners and losers”
 - Impact of temporary wage index adjustment

- Uncompensated care cost (“UCC”) pool amount changes
 - UCC pool “winners and losers”

Comparison: FY2022 vs FY2021



- The Centers for Medicare & Medicaid Services (“CMS”) indicates providers will receive an average **2.5%** increase in FY2022 reimbursement compared to FY2021:

Wage Index > 1.0000	FY2022	FY2021	\$ Change	% Change
Standard Labor Amount	\$ 4,138.28	\$ 4,071.57	\$ 66.71	1.6%
Example Wage Index Value	1.0500	1.0500	\$ -	0.0%
Labor Adjusted Amount	\$ 4,345.19	\$ 4,275.15	\$ 70.05	1.6%
Standard Non-Labor Amount	\$ 1,983.43	\$ 1,889.74	\$ 93.69	5.0%
Base MS-DRG Payment	\$ 6,328.62	\$ 6,164.89	\$ 163.74	2.7%

Wage Index < 1.000	FY2022	FY2021	\$ Change	% Change
Standard Labor Amount	\$ 3,795.46	\$ 3,696.01	\$ 99.45	2.7%
Example Wage Index Value	0.9500	0.9500	\$ -	0.0%
Labor Adjusted Amount	\$ 3,605.69	\$ 3,511.21	\$ 94.48	2.7%
Standard Non-Labor Amount	\$ 2,326.25	\$ 2,265.30	\$ 60.95	2.7%
Base MS-DRG Payment	\$ 5,931.94	\$ 5,776.51	\$ 155.43	2.7%

Source: Table FY2021 Final Rule – Correction notice and FY2022 Final Rule Table 1A-1E

Source: Wage Index >1 (67.6% Labor / 32.4% Non-Labor)

Source: Wage Index <1 (62% Labor / 38% Non-Labor)

CMS Reporting Penalties



- CMS reduces a provider’s standardized rate if the appropriate Meaningful Electronic Health Record (“EHR”) User and Quality Data were not reported:

Standardized Amounts Related to CMS Reporting Standards	FY2022	FY2021	\$ Change	% Change
Hospital Submitted Quality Data and is a Meaningful EHR User	\$ 6,121.71	\$ 5,961.31	\$ 160.40	2.69%
Hospital Submitted Quality Data and is NOT a Meaningful EHR User <i>Reduction</i>	\$ 6,000.17 -1.99%	\$5,856.52 -1.76%	\$ 143.65	2.45%
Hospital Did NOT Submit Quality Data and is a Meaningful EHR User <i>Reduction</i>	\$ 6,081.19 -0.66%	\$5,926.38 -0.59%	\$ 154.81	2.61%
Hospital Did NOT Submit Quality Data and is NOT a Meaningful EHR User <i>Reduction</i>	\$ 5,959.67 -2.65%	\$5,821.59 -2.34%	\$ 138.08	2.37%

Source: Table FY2021 Final Rule – Correction Notice and FY2022 Final Rule Table 1A-1E

Examples of Haves and Have Nots



- Individual hospital's standardized base rates vary considerably across the United States, prior to any add-on payments:

Provider	State	FY2022	FY2021	\$ Change	% Change
Provider A	Alabama	\$5,458.26	\$5,063.18	\$ 395.08	7.80%
Provider B	Illinois	\$6,256.62	\$6,103.81	\$ 152.81	2.50%
Provider C	Texas	\$6,073.51	\$5,965.79	\$ 107.72	1.81%
Provider D	Maine	\$5,579.72	\$5,962.53	\$(382.81)	-6.42%

Source: Base MS-DRG calculations use Table 1A-1E base rates and Table 2 Wage Index amounts

States with the largest WI Variances



State	FY 2021 Wage Index	FY 2022 Wage Index With Quartile and Cap	FY 2021 to FY 2022 Percent Variance
Washington DC	0.9994	1.1130	11.37%
Rhode Island	1.0425	1.1342	8.79%
Delaware	1.0270	1.0795	5.11%
New Hampshire	1.0632	1.0908	2.60%
Arizona	1.0225	1.0378	1.49%
Georgia	0.8639	0.8743	1.21%

State	FY 2021 Wage Index	FY 2022 Wage Index With Quartile and Cap	FY 2021 to FY 2022 Percent Variance
Maine	0.9809	0.9412	-4.05%
Idaho	0.9692	0.9308	-3.97%
Vermont	1.0060	0.9727	-3.31%
Michigan	0.9370	0.9244	-1.34%
Alaska	1.4161	1.3970	-1.34%
Colorado	0.9995	0.9869	-1.26%

Source: CMS FY2022 IPPS Final Rule Table 2

WI Temporary Adjustment Issue



- States located in the Southeast are the top 5 states impacted by the wage index adjustment factor
- These states average a labor-related increase of \$133.75 per discharge prior to add-on payments
- The labor-related portion wage index < 1: **\$3,795.46**

State	FY 2022 Wage Index Prior to Quartile and Transition	FY 2022 Wage Index With Quartile and Cap	Labor-Related Prior to Adjustment	Labor-Related After Adjustment	\$ Change Per Discharge	% Change Per Discharge
Alabama	0.7410	0.7934	\$ 2,812.44	\$ 3,011.32	\$ 198.88	7.07%
Mississippi	0.7815	0.8175	\$ 2,966.15	\$ 3,102.79	\$ 136.64	4.61%
Louisiana	0.7809	0.8125	\$ 2,963.87	\$ 3,083.81	\$ 119.94	4.05%
Tennessee	0.7878	0.8194	\$ 2,990.06	\$ 3,110.00	\$ 119.94	4.01%
Arkansas	0.7961	0.8207	\$ 3,021.57	\$ 3,114.93	\$ 93.37	3.09%
Average	0.7775	0.8127	\$ 2,950.82	\$ 3,084.57	\$ 133.75	4.57%

Source: CMS FY2022 IPPS Final Rule Table 2

Uncompensated Care Costs Pool



- FY2022 UCC pool has the first significant decrease in available dollars since 2015 and 2016 which could lead to significant changes in a provider's overall base payments:

Year	DSH Pool	UCC Pool at 75%	% W/O Insurance	UCC Factor 2	UCC Amount	\$ Variance to PY	% Change
2014	\$12,772,000,000	\$ 9,579,000,000	17.00%	94.30%	\$9,032,997,000	\$ -	0.00%
2015	\$13,383,462,196	\$10,037,596,647	13.75%	76.19%	\$7,647,644,885	\$ (1,385,352,115)	-15.34%
2016	\$13,411,096,528	\$10,058,322,396	11.50%	63.69%	\$6,406,145,534	\$ (1,241,499,351)	-16.23%
2017	\$14,396,635,710	\$10,797,476,783	10.00%	55.36%	\$5,977,483,147	\$ (428,662,387)	-6.69%
2018	\$15,552,939,524	\$11,664,704,643	8.15%	58.01%	\$6,766,695,165	\$ 789,212,018	13.20%
2019	\$16,339,055,838	\$12,254,291,879	9.48%	67.51%	\$8,272,872,447	\$ 1,506,177,283	22.26%
2020	\$16,583,455,657	\$12,437,591,743	9.40%	67.14%	\$8,350,599,096	\$ 77,726,649	0.94%
2021	\$15,170,673,476	\$11,378,005,107	10.20%	72.86%	\$8,290,014,521	\$ (60,584,575)	-0.73%
2022	\$13,984,752,729	\$10,488,564,547	9.60%	68.57%	\$7,192,008,710	\$ (1,098,005,811)	-13.24%

Source: 2014 – 2022 IPPS Final Rule related to percent of uninsured calculations

UCC “Haves and Have Nots”



- UCC payments decreased \$1.1 billion from FY 2021 to FY 2022, but the impact by states vary greatly:

State	FY2021	FY2022	\$ Variance	% Variance
Illinois	\$ 317,490,979	\$ 326,392,609	\$ 8,901,630	2.8%
Idaho	\$ 28,839,639	\$ 30,205,360	\$ 1,365,721	4.7%
New Hampshire	\$ 22,301,155	\$ 22,719,783	\$ 418,627	1.9%
Vermont	\$ 3,653,031	\$ 3,662,623	\$ 9,591	0.3%
			\$ 10,695,570	

State	FY2021	FY2022	\$ Variance	% Variance
North Carolina	\$ 365,068,234	\$ 312,538,588	\$ (52,529,646)	-14.4%
Georgia	\$ 472,749,933	\$ 412,082,000	\$ (60,667,933)	-12.8%
California	\$ 557,394,664	\$ 463,864,323	\$ (93,530,341)	-16.8%
Florida	\$ 803,356,247	\$ 706,069,161	\$ (97,287,087)	-12.1%
New York	\$ 624,089,301	\$ 479,425,943	\$ (144,663,359)	-23.2%
Texas	\$ 1,454,718,128	\$ 1,279,832,484	\$ (174,885,644)	-12.0%
			\$ (623,564,009)	

Source: FY 2021 and 2022 IPPS Final Rule: Implementation of Section 3133 of the Affordable Care Act- Medicare DSH- Supplemental Data

IPPS UCC Pool Payments Variances



		Provider Haves			
		FY2021 UCC	FY2022 UCC		
State	Provider	Pool Amount	Pool Amount	\$ Variance	
Illinois	Provider B	\$ 76,429,439	\$ 108,518,222	\$ 32,088,783	
New York	Provider E	\$ 2,874,315	\$ 12,021,339	\$ 9,147,025	
New Jersey	Provider F	\$ 2,858,470	\$ 11,224,396	\$ 8,365,926	
Texas	Provider G	\$ 2,850,171	\$ 9,329,524	\$ 6,479,353	
Texas	Provider H	\$ 5,645,887	\$ 11,948,035	\$ 6,302,148	
Texas	Provider I	\$ 5,858,069	\$ 11,641,258	\$ 5,783,189	

		Provider Haves Nots			
		FY2021 UCC	FY2022 UCC		
State	Provider	Pool Amount	Pool Amount	\$ Variance	
Texas	Provider J	\$ 76,950,262	\$ 62,631,207	\$ (14,319,055)	
New York	Provider K	\$ 27,089,123	\$ 12,043,135	\$ (15,045,988)	
Florida	Provider J	\$ 64,927,030	\$ 49,692,607	\$ (15,234,423)	
New York	Provider K	\$ 52,596,951	\$ 34,031,049	\$ (18,565,902)	
Texas	Provider J	\$ 135,275,894	\$ 111,894,707	\$ (23,381,187)	
Texas	Provider C	\$ 161,512,114	\$ 136,277,049	\$ (25,235,065)	

Source: FY 2021 and 2022 IPPS Final Rule: Implementation of Section 3133 of the Affordable Care Act- Medicare DSH- Supplemental Data

S-10 UCC Reported Variances



State	Provider	Provider Haves		UCC \$ Variance	UCC %
		2017 UCC (Annualized)	2018 UCC (Annualized)		
Illinois	Provider B	\$ 299,160,127	\$ 508,264,184	\$ 209,104,057	70%
New York	Provider E	\$ 11,250,643	\$ 56,304,057	\$ 45,053,414	400%
New Jersey	Provider F	\$ 11,188,623	\$ 52,571,433	\$ 41,382,810	370%
Texas	Provider G	\$ 11,156,140	\$ 43,696,467	\$ 32,540,327	292%
Texas	Provider H	\$ 22,099,131	\$ 55,960,722	\$ 33,861,591	153%
Texas	Provider I	\$ 22,929,654	\$ 54,523,881	\$ 31,594,227	138%

State	Provider	Provider Have Not		UCC \$ Variance	UCC %
		2017 UCC (Annualized)	2018 UCC (Annualized)		
Texas	Provider J	\$ 301,198,733	\$ 293,344,278	\$ (7,854,455)	-3%
New York	Provider K	\$ 106,032,251	\$ 56,406,142	\$ (49,626,109)	-47%
Florida	Provider J	\$ 254,137,395	\$ 232,744,069	\$ (21,393,326)	-8%
New York	Provider K	\$ 205,874,996	\$ 159,390,403	\$ (46,484,593)	-23%
Texas	Provider J	\$ 529,496,934	\$ 524,078,546	\$ (5,418,388)	-1%
Texas	Provider C	\$ 632,190,751	\$ 638,277,537	\$ 6,086,786	1%

Total Reported UCC DSH		\$ 31,966,377,083	\$ 33,182,913,092	\$ 1,216,536,009	4%
Supplemental Data					

Source: FY 2021 and 2022 IPPS Final Rule: Implementation of Section 3133 of the Affordable Care Act- Medicare DSH- Supplemental Data

FY2022 IPPS Have



Provider B Operating Payment Rate	FFY-2021 Amount	FFY-2022 Amount	Percent Change
Labor-Related Base Amount	\$ 4,071.57	\$ 4,138.28	1.64%
Provider-Specific Wage Index	1.0350	1.0326	-0.23%
Provider-Adjusted Labor-Related Amount	\$ 4,214.07	\$ 4,273.19	1.40%
Non-Labor-Related Base Amount	\$ 1,889.74	\$ 1,983.43	4.96%
Quality & Electronic Health Record (EHR) Payment Adjustments	Amount	Amount	Percent Change
Quality Reduction	\$ -	\$ -	0.00%
EHR Reduction	\$ -	\$ -	0.00%
Provider's Adjusted Operating Base Rate	\$ 6,103.81	\$ 6,256.62	2.50%
Operating Payment Adjustments	Amount	Amount	Percent Change
Disproportionate Share	\$ 583.10	\$ 597.69	2.50%
Uncompensated Care Amount Per Discharge	\$ 40,805.89	\$ 63,684.40	56.07%
Indirect Medical Education	\$ 2,717.90	\$ 2,785.95	2.50%
Value-Based Purchasing	\$ 2.25	\$ 2.31	2.67%
Readmission	\$ (23.80)	\$ (14.39)	-39.54%
Hospital-Acquired Condition Reduction	\$ (502.11)	\$ (733.25)	46.03%
Total Medicare Operating Adjustments	\$ 43,583.23	\$ 66,322.71	52.17%
Total Adjusted Medicare Operating Amount	\$ 49,687.04	\$ 72,579.33	46.07%
Capital Payment Rate	Amount	Amount	Percent Change
Capital Standard Federal Payment Rate	\$466.21	\$472.60	1.37%
Geographical Adjustment Factor	1.0238	1.0222	-0.16%
Adjusted Capital Base Rate	\$ 477.31	\$ 483.09	1.21%
Capital Disproportionate Share	\$ 61.00	\$ 61.74	1.21%
Capital Indirect Medical Education Adjustment	\$ 251.54	\$ 254.58	1.21%
Total Adjusted Medicare Capital Rate	\$ 789.85	\$ 799.41	1.21%
Total Base MS-DRG Rate Excluding Pass-Thru Payments	\$ 50,476.89	\$ 73,378.74	45.37%

FY2022 IPPS Have Not



Provider C	FFY-2021	FFY-2022	Percent
Operating Payment Rate	Amount	Amount	Change
Labor-Related Base Amount	\$ 4,071.57	\$ 3,795.46	-6.78%
Provider-Specific Wage Index	1.0011	0.9873	-1.38%
Provider-Adjusted Labor-Related Amount	\$ 4,076.05	\$ 3,747.26	-8.07%
Non-Labor-Related Base Amount	\$ 1,889.74	\$ 2,326.25	23.10%
Quality & Electronic Health Record (EHR) Payment Adjustments	Amount	Amount	Percent Change
Quality Reduction	\$ -	\$ -	0.00%
EHR Reduction	\$ -	\$ -	0.00%
Provider's Adjusted Operating Base Rate	\$ 5,965.79	\$ 6,073.51	1.81%
Operating Payment Adjustments	Amount	Amount	Percent Change
Disproportionate Share	\$ 679.80	\$ 692.08	1.81%
Uncompensated Care Amount Per Discharge	\$ 117,806.06	\$ 105,723.08	-10.26%
Indirect Medical Education	\$ 2,369.49	\$ 2,412.28	1.81%
Value-Based Purchasing	\$ (5.45)	\$ (5.53)	1.47%
Readmission	\$ (6.56)	\$ (8.50)	29.57%
Hospital-Acquired Condition Reduction	\$ (1,268.21)	\$ (1,149.01)	-9.40%
Total Medicare Operating Adjustments	\$ 119,575.13	\$ 107,664.40	-9.96%
Total Adjusted Medicare Operating Amount	\$ 125,540.92	\$ 113,737.91	-9.40%
Capital Payment Rate	Amount	Amount	Percent Change
Capital Standard Federal Payment Rate	\$466.21	\$472.60	1.37%
Geographical Adjustment Factor	1.0008	0.9913	-0.95%
Adjusted Capital Base Rate	\$ 466.58	\$ 468.49	0.41%
Capital Disproportionate Share	\$ 69.23	\$ 69.51	0.40%
Capital Indirect Medical Education Adjustment	\$ 142.12	\$ 180.29	26.86%
Total Adjusted Medicare Capital Rate	\$ 677.93	\$ 718.29	5.95%
Total Base MS-DRG Rate Excluding Pass-Thru Payments	\$ 126,218.85	\$ 114,456.20	-9.32%

“Open Items”: Proposed to Final Rule



- Traditional DSH “paid” days
- Organ Procurement: Counting organs
- GME: new slots

- The FY2022 IPPS Final Rule has several items for providers to monitor:
 - The 2.5% estimated increase is NOT distributed evenly across all providers
 - Pay close attention to your wage index data, both during the upcoming audits and in Medicare cost report filings
 - Never underestimate the impact of the reported amounts on the Medicare cost report's S-10 Worksheet
 - Monitor the resolution of the “open items” that were included in the Proposed Rule, but did not make the Final Rule regulations



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