Medicare Outpatient Prospective Payment System
Final Rule Correction Notice Impact Analysis – Calendar Year 2020

-Version 1-

Analysis Description

The calendar year (CY) 2020 Medicare Outpatient Prospective Payment System (OPPS) Final Rule Analysis is intended to show providers how Medicare outpatient fee-for-service (FFS) payments will change from CY 2019 to CY 2020 based on the policies set forth in the CY 2020 OPPS final rule correction notice.

Final Rule Impact Analysis

The following changes are modeled in this analysis:

- Marketbasket Update: 3.0% marketbasket increase to the outpatient rate.
- ACA-Mandated Marketbasket Reduction: 0.4 percentage point productivity reduction to the marketbasket authorized by the Affordable Care Act (ACA) of 2010.
- Other BN Adjustments: Reflects the impact of adjustments to the rate based on changes to the wage index (0.07%), cancer hospital payments (-0.01%), as well as pass-through spending and outlier payments (-0.74%) in order to maintain program budget neutrality. CMS did not provide individual budget neutrality factors for wage index budget neutrality due to wage data changes and the budget neutrality factor to offset the bottom quartile increase of wage indexes. Therefore the wage index budget neutrality value in this analysis represents the amount left after removing the calculated budget neutrality factor that offsets the increase to the bottom quartile of wage indexes.
- Wage Index (Wage Data and Reclassifications): Updated wage index values based on the final FFY 2020 IPPS hospital wage indexes, including the impact of new wage data, reclassifications, rural and legislated floors, and other adjustments to the wage indexes. This value does not include CMS' increase to the wage index of hospitals in the bottom quartile of wage index values nationally.
- Wage Index (Other Changes): Reflects the estimated impact of CMS' increase to the wage index for hospitals with a wage index value in the bottom quartile of the nation. This increase is half of the difference between the hospital's pre-adjustment wage index, and the 25th percentile wage index value across all hospitals. This increase is offset by a budget neutrality adjustment to OPPS conversion factor, while instituting a one-year stop-loss adjustment so that no hospital's FFY 2020 wage index could be less than 95% of that hospital's FFY 2019 wage index. The stop-loss adjustment is made budget-neutral by a -0.09% adjustment to the OPPS conversion factor. The impacts of these individual components are broken out separately and are calculated using CMS' FFY 2020 IPPS final rule correction notice wage index tables. CMS did not provide individual budget neutrality factors for wage index budget neutrality due to wage data changes and the budget neutrality factor to offset the bottom quartile increase of wage indexes. Therefore in this analysis the budget neutrality to

offset the increase to the bottom quartile of wage indexes is calculated by applying the ratio of FFY 2020 IPPS operating 5% stop loss budget neutrality factor and bottom quartile increase budget neutrality factor to the CY 2020 OPPS 5% stop loss budget neutrality.

- APC Factor/Updates: This impact represents the changes to the APC assignments and weights adopted for CY 2020. It is inclusive of CMS' policies regarding the creation of comprehensive APCs, the expansion of the categories of items/services that are packaged into APCs for payment as opposed to separately paid, and the anticipated change in outlier payments. This impact is derived by attributing all remaining payment changes to this category (after impact for wage index, marketbasket, etc.). Impacts resulting from change to the off-campus PBD site neutral policy is included here.

- Estimated Impact of 30% Reduction to Excepted Off-Campus Provider Based Departments (PBDs): CMS is expanding the Medicare Physician Fee Schedule (MPFS) payment methodology to excepted off-campus PBDs (currently paid under the OPPS rates), for HCPCS code G0463. CMS reduced payment by 30% for CY 2019 (CMS agreed to repayment for CY 2019 in December 2019 as mandated by the U.S. District Court), and is reducing the payment by an additional 30% beginning CY 2020. This reduction is not budget neutral. The portion of CY 2018 OPPS revenue for off-campus PBDs is applied to CY 2020 OPPS estimated payments to determine impacts.

- Potential Impact of Performing Total Hip Arthroplasty (THA) Procedures in an Outpatient Setting Using CPT Code 27130: Represents the potential impact for 2020 of CMS' removal of CPT code 27130 (Total hip arthroplasty (THA)) from the inpatient-only list. Estimates assume that all hip procedures described by CPT code 27130 will be performed in the outpatient setting, actual shifts will be based on clinical judgement. Estimated Diagnosis-Related Group (DRG) procedure volumes are from the CY 2018 Medicare 100% SAF for Inpatient Services, with cases having no recorded length of stay are excluded. Estimated base OPPS payments are calculated using hospital payment data provided by CMS in the CY 2020 OPPS final rule correction notice. Inpatient Prospective Payment System (IPPS) base DRG payments were estimated using hospital payment data from the FFY 2020 IPPS final rule. Case counts less than 11 are redacted due to CMS privacy rules.

The impacts provided do not include the 2.0% sequestration reduction to all lines of Medicare payment authorized by Congress and currently in effect through FFY 2027. The impact of the sequester applicable to OPPS-specific payment has been calculated separately and is provided at the bottom of the impact table.

Data Sources

Except where mentioned above, hospital characteristics, outpatient procedure volumes, and estimated 2019 and 2020 outpatient revenues are from the CMS CY 2020 OPPS final rule correction notice Impact File (CY 2018 outpatient claims data). OPPS conversion factors are from the CY 2019 final rule and the CY 2020 final rule correction notice. Wage indexes are based on the wage index tables from the federal fiscal year (FFY) 2019 Inpatient Prospective Payment Systems (IPPS) final rule correction notice (released October 2018) and the FFY 2020 IPPS final rule correction notice (released October 2019).

Impacts for 30% reduction to off-campus PBDs, and the potential impact of the removal of THA from the inpatient-only list are provided are based on Medicare claims data from the CY 2018 Medicare 100% Standard Analytic File (SAF).

For the impact of the 30% off-campus PBD reduction, indicator "PO" is used to identify claims from excepted sites.

For potential impacts due the removal of THA from the inpatient-only list, estimated base OPPS payments are calculated using hospital payment data provided by CMS in the CY 2020 OPPS final rule correction notice. Inpatient Prospective Payment System (IPPS) base DRG payments were estimated using hospital payment data from the FFY 2020 IPPS final rule correction notice.

The impact of CMS attempting to reduce wage index disparities are calculated using CMS' FFY 2020 IPPS final rule correction notice wage index tables.

This analysis was developed to measure the impact of OPPS policy changes only. Hospitals' rural status, volume, and patient mix are held constant at the value published in the final OPPS CY 2020 final rule correction notice Impact File.

Methods

The dollar impact of each component change has been calculated starting with estimated 2019 outpatient payments as provided by CMS in its CY 2020 OPPS final rule correction notice Impact File. Estimated 2019 outpatient payments include outliers and the rural Sole Community Hospital (SCH) add-on, where appropriate.

The CY 2019 to CY 2020 percent change, for each outpatient payment change component analyzed, is calculated and applied to estimated CY 2019 payments. Generally, the percentage impacts are applied sequentially in order to capture the compounded dollar impacts. For example, the percent change due to the marketbasket update is applied to total CY 2019 payments. Then, the percent change in the ACA-mandated marketbasket reductions is applied to the dollar result of the first change. This method continues for the remaining changes, creating a compounded effect. The difference between the results after each layered component is the impact of that component.

For changes to the OPPS rate and wage index, CY 2019 payments and volumes provided by CMS are divided into two parts based on the revenue and volumes from the 2018 SAF in order to avoid applying marketbasket and wage index updates to payments not based on the OPPS conversion factor. The first part is made up of those services to which payment is based on the OPPS rate, and is then adjusted by the changes to that rate and the wage index. The second part is made up of portion of those services for which payment is made outside of the rate (e.g. drugs paid at ASP+6%), which is held constant until changes to case mix and outliers are calculated.

Based on the limitations of CMS' Impact File, an "APC Factor/Updates" adjustment factor is calculated and used to estimate the value of payment changes that cannot be broken out by individual component. This hospital-specific factor/impact is derived by dividing total payments by the wage index and SCH add-on-adjusted conversion factor. The result of the first calculation is divided by the Medicare service count provided in the OPPS CY 2020 final rule correction notice Impact File. This factor impact represents the impact of changes to the APC assignments and weights and the outlier threshold.

Note: 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.

This analysis does not include payment estimates for services provided to Medicare Advantage patients or modifications in FFS payments as a result of provider participation in new payment models being tested under Medicare demonstration/pilot programs. Dollar impacts in this analysis may differ from those provided by other organizations/associations due to differences in source data and analytic methods.