



## Medicare Outpatient Prospective Payment System Proposed Rule Impact Analysis – Calendar Year 2021

-Version 1-

### Analysis Description

The calendar year (CY) 2021 Medicare Outpatient Prospective Payment System (OPPS) Proposed Rule Analysis is intended to show providers how Medicare outpatient fee-for-service (FFS) payments will change from CY 2020 to CY 2021 based on the policies set forth in the CY 2021 OPPS proposed rule.

#### Proposed 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.
- 340B Drug Payment Reduction BN Adjustment: 0.85% increase to the OPPS rate to maintain program budget neutrality (BN) with the change to the CMS' payment adjustment for drugs purchased under the 340B program.
- Other BN Adjustments: Reflects the impact of adjustments to the rate based on changes to the wage index (+0.27%), cancer hospital payments (0.00%), as well as pass-through spending and outlier payments (-0.05%) 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 budget neutrality to offset the increase to the bottom quartile of wage indexes is included in this line.
- Wage Index (Wage Data and Reclassifications): Updated wage index values based on the proposed FFY 2021 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. The impacts of these individual components are broken out separately and are calculated using CMS' FFY 2021 IPPS proposed rule wage index table. 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 included in the "other budget neutrality" line rather than this line. Additionally, CMS made changes to the CBSA delineations for this year and therefore instituted a one-year stop-loss adjustment so that no hospital's FFY 2021 wage index could be less than 95% of that hospital's FFY 2020 wage index. The stop-loss adjustment is made budget-neutral by a -0.10% adjustment to the OPSS conversion factor and included in this line.

- APC Factor/Updates: This impact represents the changes to the APC assignments and weights proposed for CY 2021. 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.). Reductions resulting from the change to 340B payments are included in here.
- Change in Rural Adjustment: Payment change due to revised CBSA delineations altering the rural status of provider.
- Estimated Impact of 340B Payment Rate Change: CMS current pays nonpass-through drugs acquired under the 340B Program at Average Sales Price (ASP) minus 22.5%. CMS is proposing to instead pay ASP minus 28.7%. The impact of this change is shown in a breakout section below the impact table. The CY 2018 OPSS revenue for 340B drugs is brought forward to CY 2021 OPSS estimated payments to determine impacts.

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 2030. The impact of the sequester applicable to OPSS-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 2020 and 2021 outpatient revenues are from the CMS CY 2021 OPSS proposed rule Impact File (CY 2019 outpatient claims data). OPSS conversion factors are from the CY 2020 final rule correction notice and the CY 2021 proposed rule. Wage indexes are based on the wage index tables from the federal fiscal year (FFY) 2020 Inpatient Prospective Payment Systems (IPSS) final rule correction notice (released October 2019) and the FFY 2021 IPSS proposed rule.

Impacts for the 340B payment change are based on Medicare claims data from the CY 2018 Medicare 100% Standard Analytic File (SAF) using status indicator K revenue and modifier "JG".

The impact of CMS attempting to reduce wage index disparities are calculated using CMS' FFY 2021 IPSS proposed rule correction notice wage index tables.

This analysis was developed to measure the impact of OPSS policy changes only. Hospitals' volume and patient mix are held constant at the value published in the OPSS CY 2021 proposed rule.

#### **Methods**

The dollar impact of each component change has been calculated starting with estimated 2020 outpatient payments as provided by CMS in its CY 2021 OPSS proposed rule. Estimated 2020 outpatient payments include outliers and the rural Sole Community Hospital (SCH) add-on, where appropriate.

The CY 2020 to CY 2021 percent change, for each outpatient payment change component analyzed, is calculated and applied to estimated CY 2020 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 2020 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 2020 payments and volumes provided by CMS are divided into two parts based on the revenue and volumes from the 2018 SAF claims data 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 2021 proposed rule 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.*