

# CAPITOL STREET

---

April 11, 2024

## Inpatient Pay +2.6% In 2025

### Surgical Mandatory Pay Bundle & New Sickle Cell Program

Relevant Companies



UHS Universal Health Services, Inc.

---

On April 10, 2024, the Centers for Medicare and Medicaid Services (CMS) released the proposed FY 2025 hospital inpatient rule (IPPS) and long-term acute care hospital (LTCH) payment rules ([here](#)). Comments are due by June 10. Final rules are likely in August.

### »» Our Take & Next Up

**The 2025 pay proposal is in line with expectations (+2.6%) but was quickly criticized by hospitals as not considering inflation, operational costs, persistent labor shortages and aging demographics.** CMS proposed pay will provide a + 2.4% pay bump to all hospitals (proprietary & voluntary). New rates start Oct 1, 2024, the start of FY25. We don't see much changing between now and the final rule.

### »» Key Points

#### OVERALL PAY UPDATE (IPPS)

**Proprietary hospitals will see pay +2.6% in 2025.** The overall update for all hospitals will be +2.4%, including the proposed 3.0% market basket update reduced by the proposed 0.4% productivity adjustment.

**Rural hospitals would see a lower update (+1.9%) than urban facilities (+2.6%)** based on all proposed FY 2025 changes.

**CMS payments to inpatient hospitals will increase by \$3.2 B in 2025.** The rule also projects that Medicare DSH and uncompensated care payments will increase by \$560 M next year, versus a decline for 2024.

#### DRUG SHORTAGES

**The agency proposes a new separate payment to smaller and independent hospitals to set up an emergency “buffer” stock of essential drugs.** The payment would apply to hospitals with 100 or fewer beds and would cover the costs of a six-month supply of essential medicines to be used during shortages.

**Hospitals quickly shot down the idea.** It is misguided to punish hospitals if their purchasing practices do not conform to an arbitrary set of principles crafted by a federal agency,” Nancy Foster, vice president of quality and safety policy for the AHA, said in a statement last month.

## SICKLE CELL PLAN

**CMS is proposing to increase the NTAP percentage from 65% to 75% for gene therapies that are indicated and used specifically for the treatment of SCD** (subject to determination in the FY 2025 IPPS final rule that any applicable gene therapy(ies). CMS is trying to navigate the cost issues related to new gene therapies that hold promise to cure previously incurable diseases, including sickle cell disease (SCD). The increased payment would start in FY 2025 and conclude at the end of the 2- to 3-year newness period.

**The CMS sickle cell action plan can be found [here](#).** To improve flexibility for applicants for NTAP, CMS is proposing to use the start of the fiscal year, October 1, instead of April 1, to determine whether a technology is within its 2- to 3-year newness period. This change would be effective starting in FY 2026 for new applicants for NTAP and when extending NTAP for an additional year for technologies initially approved for NTAP in FY 2025 or subsequent years.

## SURGERY

**High-cost surgery payment model: CMS released the Transforming Episode Accountability Model (TEAM) with an opportunity for comment.** The purpose of this model is to “improve quality of care for people with Medicare undergoing certain high-expenditure, high-volume surgical procedures by reducing rehospitalization and recovery time while lowering Medicare spending and driving equitable outcomes” ([here](#)). TEAM is a 5-year, mandatory episode-based payment model that starts January 2026. Hospitals that are required to participate would be chosen based on geographic regions from across the US.

**Episodes of focus** would be Lower Extremity Joint Replacement, Surgical Hip Femur Fracture Treatment, Spinal Fusion, Coronary Artery Bypass Graft, and Major Bowel Procedure. The model is mandatory versus voluntary via CMMI. We believe that CMS is trying to achieve savings in an era where most pilots have not saved the Medicare program dollars save for a handful of cases.

## HEALTH EQUITY AND SDOH

**CMS adds 15 new health equity hospital categorizations.** The rule helps to advance the CMS Framework for Health Equity 2022-2032 to measure the impact of CMS policies more explicitly on health equity. A priority moving forward is to better collect, report, and analyze health equity data.

**Social Determinants of Health Diagnosis (SDOH) codes.** IPPS payment is made based on the use of hospital resources in the treatment of a patient’s severity of illness, complexity of service, and/or consumption of resources. A higher severity level designation of a diagnosis code results in a higher payment to reflect the increased hospital resource use.

**CMS is proposing to change the severity designation of the seven ICD-10-CM diagnosis codes that describe inadequate housing and housing instability** from non-complication or comorbidity (NonCC) to

complication or comorbidity (CC), based on the higher average resource costs of cases with these diagnosis codes compared to similar cases without these codes.

## REPORTING (EMERGENCIES)

**CMS is proposing a permanent streamlined data reporting structure for COVID-19, influenza, and respiratory syncytial virus (RSV)**, with additional reporting that could be activated in the event of an emergency. The rule also proposes a new attestation-based measure to assess whether hospitals demonstrate a structure, culture, and leadership commitment that prioritizes patient safety.

---

**Ipsita Smolinski**  
**Managing Director | Capitol Street**  
ipsita@capitol-street.com

202.250.3741 | [www.capitol-street.com](http://www.capitol-street.com)

900 19th St NW 6th Fl  
Washington, D.C. 20006

**CAPITOL STREET**

---

### **Copyright 2024 Capitol Street.**

*This communication, including this broadcast and any attachments hereto, is intended solely for the original recipient(s) and may not be redistributed without the written consent of Capitol Street. This communication is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of any financial instruments, nor is it intended as advice to purchase or sell such instruments*