Medicare Inpatient Prospective Payment System (IPPS) & New Technology Add-on Payment Provision

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Inpatient
New Technology Add On Payment

- The Inpatient Prospective Payment System (IPPS) primarily pays per discharge rates covering operating and capital expenses. The payment rates are intended to cover the costs that reasonably efficient providers would incur in furnishing high-quality care.
- To account for the patient's needs, Medicare assigns discharges to Medicare severity diagnosis related groups (MS–DRGs), which are based on patients' clinical conditions and treatment strategies. Each MS–DRG has a relative weight that reflects the expected relative costliness of inpatient treatment for patients in that group.
- Sections 1886(d)(5)(K) and (L) of the Social Security Act establish a process of identifying and ensuring adequate payment for new medical services and technologies under the IPPS.
- The regulations at 42 CFR 412.87 and 412.88 implement these provisions and specify criteria.
- If a technology meets the criteria, CMS makes a new technology add-on payment in addition to the MS-DRG prospective payment rate.
- https://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNProducts/Downloads/AcutePaymtSysfctsht.pdf

Inpatient New Technology Criteria

1. New

- ✓ Technology may be considered new for 2-3 years after becoming available on the market.

2. Substantial Clinical Improvement

- ✓ Demonstrates it represent an advance that substantially improves, relative to technologies previously available, the diagnosis or treatment of Medicare beneficiaries (diagnosis or treatment).

3. High Cost

- ✓ Technology must be inadequately paid under the MS-DRG system as evidenced by meeting a defined cost-threshold (defined in terms of standardized charges).

If a technology meets the criteria, generally, we make an add-on payment to the MS-DRG prospective payment rate of 65 percent of the cost of the new technology.

Inpatient New Technology Criteria

- CMS uses claims database to recalibrate MS-DRG relative weights.
- There is usually a two-year lag for current claims-data to be included in the claims data.
- Because of this time lag, costs of cases involving a new technology are not fully reflected in the recalibration of the MS-DRG relative weights.
- After a technology is available on the market for 2-3 years, it is no longer considered “new” because cost of cases involving the technology have been absorbed into the MS-DRG(s).

Qualified Infectious Disease Products (QIDPs)

CMS understands the serious impact that antimicrobial resistance represents for Medicare beneficiaries and public health overall.

To address this, in the FY 2020 IPPS final rule, CMS finalized an alternative new technology add-on payment pathway effective October 1, 2019.

1. A new medical product has received FDA marketing authorization and is designated as a QIDP by the FDA.

2. It will be considered new for purposes of the new technology add-on payment under the IPPS and does not need to meet the requirement that it represent a substantial clinical improvement over existing technologies.

3. CMS increased the add-on payment to the MS-DRG prospective payment rate from 65 percent to 75 percent of the cost of the new technology for QIDPs that meet the criteria.

Qualified Infectious Disease Products (QIDPs)

CMS understands the serious impact that antimicrobial resistance represents for Medicare beneficiaries and public health overall.

Additionally, to address this concern:

- CMS increased the MS-DRG severity level designation for the diagnosis codes that specify antimicrobial drug resistance. Under this change, antimicrobial drug resistance ICD-10-CM diagnosis codes will be designated as a complication or comorbidity (CC), the presence of which generally results in assignment to a higher severity MS-DRG due to the relatively higher resources associated with diagnoses with such designation.