CMS RELEASES FY 2025 HOSPITAL INPATIENT PROSPECTIVE PAYMENT SYSTEM (IPPS) FINAL UPDATE

Quality Data Reporting Requirements Updates

McDermott+

Policy Update

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Summary

On August 1, 2024, the Centers for Medicare & Medicaid Services (CMS) posted the Hospital Inpatient Prospective Payment System (IPPS) final update for fiscal year (FY) 2025, along with proposed policy and regulation changes. The final rule updates Medicare payment policies and quality reporting programs relevant for inpatient hospital services and builds on key agency priorities, including advancing health equity and improving the safety and quality of care.

A CMS factsheet on the final rule is available here. A CMS factsheet on the Transforming Episode Accountability Model (TEAM) is available here.

Read on for a summary of the final rule's quality data reporting requirements. Our full summary of the final rule is for McDermott+ clients only; please contact your relationship consultant with questions. For inquiries, please contact info@mcdermottplus.com.

McDermott+ has developed an interactive dashboard that shows the actual costs to hospitals for providing care to Medicare fee-for-service inpatients based on data published by CMS as part of its rulemaking cycle. CMS uses this information to set payment rates for individual Medicare Severity-Diagnosis Related Groups (MS-DRGs), and you can use this data to understand the resources needed to care for different types of inpatients. Access the IPPS dashboard here.

Quality Data Reporting Requirements

Hospital Quality Reporting Program Changes

Key Takeaway: CMS adopted seven new quality measures, removed five existing quality measures and modified two current quality measures.

CMS monitors, rewards and penalizes quality performance in the inpatient setting through several quality incentive programs, including the Hospital IQR Program, Hospital Readmissions Reduction Program (HRRP), Hospital Value-Based Purchasing (HVBP) Program, Hospital Acquired Condition Reduction Program, Medicare and Medicaid Promoting Interoperability Programs, and PPS-Exempt Cancer Hospital Quality Reporting Program.

In this final rule, CMS summarizes responses from an RFI included in the proposed rule that was intended to advance patient safety and outcomes across hospital quality programs. CMS was specifically interested in input on adopting measures that represent a range of outcomes, including unplanned returns to emergency departments, timely receipt of observation services after a patient's discharge from an inpatient stay, and overall improvement in discharge processes. Many commenters supported measuring a wider range of post-discharge patient outcomes, including emergency department visits and observation services. Many commenters also expressed concerns about potential unintended consequences of readmission measures for both hospitals and patients. They stated that readmission measures place the burden of patient outcomes on hospitals without appropriately accounting for factors outside of their control, such as the patient's condition severity, social determinants of health (SDOH) and admissions for conditions unrelated to the initial admission. CMS thanked respondents for their feedback and said the agency would take it into consideration as part of future notice-and-comment rulemaking.

CMS also finalized several changes to measures within each program.

Hospital Value-Based Purchasing Program The HVBP Program withholds participating hospitals' Medicare payments by 2% and uses these reductions to fund incentive payments based on a hospital's performance on a set of outcome measures.
CMS finalized its proposals to: • Modify scoring of the HCAHPS survey measure in the HVBP Program for the FY 2027 to FY 2029 program years to only score on the six unchanged dimensions of the survey while the updates to the survey are adopted and publicly reported on in the Hospital IQR Program. • Adopt the sub-measure updates to the HCAHPS survey measure beginning with the FY 2030 program year and modify scoring beginning with the FY 2030 program year after the updates have been publicly reported for one year in the Hospital IQR Program. • Modify scoring on the HCAHPS survey measure in the Person and Community Engagement Domain beginning with the FY 2030 program year to account for the updates to the survey.
Hospital Acquired Condition Reduction Program Hospitals report on a set of measures on hospital-acquired conditions. Hospitals with scores in the worst performing quartile are subject to a 1% payment reduction.
• CMS did not propose or finalize any changes to this program.

Hospital IQR Program

Hospitals are required to report data on measures to receive the full annual percentage increase for IPPS services that would otherwise apply.

CMS finalized with modification its proposals to:

- Add seven new measures (*with modification*)
  - Two new electronic clinical quality measures (eCQMs), one claims-based measure, two structural measures and two healthcare-associated infection measures.
    - The modification pertains to the attestation statement in Domain 4 Statement B for the Patient Safety Structural measure. The attestation statements that are finalized are set forth in Table IX.B.1-02 of the final rule.
- Modify the Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) survey measures.
  - Add three new sub-measures, remove one existing sub-measure and revise one existing sub-measure beginning with the CY 2025 reporting period/FY 2027 payment determination.
- Modify the reporting and submission requirements for eCQMs.
  - Add patients ages 18 to 64 to the current cohort of patients 65 years or older to the Global Malnutrition Composite Score eCQM with the CY 2025 reporting period, beginning with the CY 2026 reporting period/FY 2028 payment determination.
- Remove five measures, including four payment measures because of the availability of the more broadly applicable Medicare Spending Per Beneficiary Hospital Measures.
  - CMS finalized its proposal for these removals to begin with the FY 2026 payment determination.
- Make changes to current policies related to data validation (*with modification*).
  - Increase the total number of mandatory eCQMs reported by hospitals and cross-program modifications to the HCAHPS survey measure from six to 11. CMS originally proposed this increase to occur over two years, but finalized a progressive increase in the number of mandatory eCQMs that eligible hospitals and CAHs must report on over a three-year period beginning with the CY 2026 reporting period.
    - For the CY 2026 reporting period/FY 2028 payment determination, hospitals must report on **eight** total eCQMs, with five selected by CMS and three self-selected by hospitals.
    - For the CY 2027 reporting period/FY 2029 payment determination, hospitals must report on **nine** total eCQMs, with six selected by CMS and three self-selected by hospitals.
    - Beginning with the CY 2028 reporting period/FY 2030 payment determination, hospitals must report on **11** total eCQMs, with eight selected by CMS and three self-selected by hospitals.
  - CMS finalized the beginning of scoring for eCQM data validation, beginning with CY 2025 discharges that will impact the FY 2028 payment determination.

Hospital Readmissions Reduction Program

HRRP reduces payments to hospitals with excess readmissions of selected applicable conditions.

- CMS did not propose or finalize any changes to the HRRP.

PPS-Exempt Cancer Hospital Quality Reporting Program

The Affordable Care Act established this quality reporting program for PPS-exempt cancer hospitals.

CMS finalized the same main proposals as for the HVBP Program:

- Adopt the Patient Safety Structural measure beginning with the CY 2025 reporting period/FY 2027 program year (*with modification to one of the domains*).
  - The modification pertains to the attestation statement in Domain 4 Statement B. The attestation statements that are finalized are set forth in Table IX.B.1-02 of the final rule.
- Modify the HCAHPS Survey measure.
  - The same as finalized in the Hospital IQR Program (above) beginning with the CY 2025 reporting period/FY 2027 program year.
- Move up the start date for publicly displaying hospital performance on the Hospital Commitment to Health Equity measure to January 2026 or as soon as feasible thereafter.

Medicare Promoting Interoperability Program

The Medicare and Medicaid EHR Incentive Programs are now known as the Promoting Interoperability Program.

CMS modified its proposal to increase the performance-based scoring threshold for eligible hospitals and CAHs to 80 points. Instead, CMS will provide a longer glide path, increasing the threshold to 70 points for the CY 2025 EHR reporting period and 80 points beginning with the CY 2026 EHR reporting period.

CMS finalized the following proposals:

- Separate the Antimicrobial Use and Resistance Surveillance measure into two measures beginning with the EHR reporting period in CY 2025:
  - Antimicrobial Use Surveillance.
  - Antimicrobial Resistance.
- Adopt two new eCQMs, both of which are also finalized for adoption in the Hospital IQR Program:
  - Hospital Harm – Falls with Injury eCQM.
  - Hospital Harm – Postoperative Respiratory Failure eCQM.
- Modify one current eCQM:
  - The same as finalized in the Hospital IQR Program (above), beginning with the CY 2026 reporting period.
- Change current policies related to data validation:
  - The same as finalized in the Hospital IQR Program (above), beginning with the CY 2026 reporting period.

In this final rule, CMS notified eligible hospitals and CAHs of the changes to the definition of certified EHR technology in the Medicare Promoting Interoperability Program at 42 CFR 495.4 beginning with the CY 2024 EHR reporting period based on revisions made in the CY 2024 Medicare Physician Fee Schedule final rule. CMS also notified eligible hospitals and CAHs of the changes to the definition of meaningful EHR user at 42 CFR 495.4 that became effective when the Establishment of Disincentives for Health Care Providers That Have Committed Information Blocking Final Rule (89 FR 54662) went into effect on July 31, 2024.

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