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2024 Medicare IPPS and OPPS trend summary

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CMS Final Rule and Proposed Rule updates

In August 2023, the Centers for Medicare and Medicaid Services (CMS) released the fiscal year (FY) 2024 Inpatient Prospective Payment System (IPPS) Final Rule and the 2024 Outpatient Prospective Payment System (OPPS) Proposed Rule. This paper outlines the key pricing factors released by CMS in the IPPS Final Rule and OPPS Proposed Rule.

Included in the IPPS Final Rule:

- Final 2024 Wage Index
- Final 2024 National Adjusted Operating Standardized Amounts
- Final 2024 Capital Standard Federal Payment Rate
- Final 2024 Uncompensated Care Payment (UCP)
- Final 2024 Diagnosis-Related Group (DRG) Recalibration Factor

NOT included in the August 2023 release of the FY2024 IPPS Final Rule:

- Disproportionate Share Hospital (DSH)
- Low-Volume Adjustment
- Sole Community Hospital (SCH)/Medicare-dependent Hospital (MDH) Hospital-Specific Report (HSR) Rate
- SCH/MDH Adjustment Factor
- Hospital Acquired Condition (HAC) Adjustment

Additionally, updates to the Indirect Medical Education (IME) are not included. However, by default, Operating IME is not included in the Medicare Advantage IPPS trend estimates.

Included in the OPPS Proposed Rule

- Proposed 2024 Nationwide Conversion Factor

The final 2024 inpatient wage indices are assumed to be used in the OPPS 2024 unit-cost trend estimates.

Over the coming months, CMS will release the provider-specific pricing factors associated with the FY2024 IPPS Final Rule and the OPPS Final Rule (expected in October 2023).

2022 to 2024 IPPS and OPPS Unit-cost trend estimates

Estimated national IPPS and OPPS unit-cost trends 2022 to 2024 are 6.5% for IPPS and 7.8% for OPPS. See the table in Figure 1 for details.

Figure 1: Unit-cost trends, 2022-2024

	22 to 23 Medicare Increase	23 to 24 Medicare Increase	22 to 24 Medicare Increase
IPPS	3.1%	3.4%	6.5%
OPPS	4.6%	3.1%	7.8%

Notable changes impacting Medicare reimbursement

The major drivers of our IPPS and OPPS trend estimates are the changes to the national payment amounts and the wage index. The hospital wage index underlying the IPPS and OPPS rates is finalized by CMS as part of the IPPS Final Rule. In the FY2024 IPPS Final Rule, CMS made changes to the rural wage index calculation methodology as discussed below.

> *"CMS is finalizing the proposal to interpret section 1886(d)(8)(E) of the Social Security Act as treating rural reclassified hospitals the same as geographically rural hospitals for purposes of calculating the wage index.* ***Specifically, we will include hospitals with §412.103 reclassification along with geographically rural hospitals in rural wage index calculations beginning with FY 2024.*** *Under Section 4410(a) of the Balanced Budget Act of 1997 (Pub. L. 105–33), the area wage index applicable for any hospital that is located in an urban area of a state may not be less than the area wage index applicable to hospitals located in rural areas in that state. This provision is referred to as the rural floor."*[1]

Including hospitals that are reclassified as rural, along with geographically rural hospitals, being in the "rural floor" affects IPPS and OPPS reimbursement for all hospitals, due to the budget neutrality requirements. However, the rural floor has significant impacts for specific states.

The table in Figure 2 shows our estimate of the top and bottom three states based on 2022 to 2024 trends. The table in Figure 3 shows the top and bottom five core-based statistical areas (CBSAs).

Figure 2: Top and bottom 3 states based on 2022-2024 trend

	IPPS			OPPS		
State Name	22 to 23 Medicare Increase	23 to 24 Medicare Increase	22 to 24 Medicare Increase	22 to 23 Medicare Increase	23 to 24 Medicare Increase	22 to 24 Medicare Increase
California	3.9%	6.9%	11.1%	5.8%	6.5%	12.7%
Nevada	5.4%	6.8%	12.6%	2.6%	8.0%	10.8%
Connecticut	5.1%	3.8%	9.0%	8.6%	3.5%	12.4%
Massachusetts	1.5%	0.2%	1.8%	3.5%	0.2%	3.6%
New Hampshire	1.9%	0.9%	2.8%	0.0%	1.0%	1.0%
Utah	0.5%	0.1%	0.7%	2.9%	0.3%	3.1%

Figure 3: Top and bottom 5 CBSAs based on 2022-2024 trend

CBSA Name	IPPS			OPPS		
	22 to 23 Medicare Increase	23 to 24 Medicare Increase	22 to 24 Medicare Increase	22 to 23 Medicare Increase	23 to 24 Medicare Increase	22 to 24 Medicare Increase
Erie, PA	9.2%	20.5%	31.5%	10.5%	18.0%	30.5%
Binghamton, NY	10.2%	18.7%	30.8%	7.7%	17.1%	26.1%
Albany-Schenectady-Troy, NY	9.3%	20.5%	31.7%	3.4%	18.2%	22.2%
Elmira, NY	7.2%	15.9%	24.2%	10.8%	14.0%	26.3%
Rochester, NY	7.8%	14.4%	23.3%	11.8%	13.2%	26.6%
Guayama, PR	1.2%	-2.1%	-0.9%	0.8%	1.9%	2.7%
Non-MSA Area, UT	0.7%	-0.6%	0.0%	0.4%	0.3%	0.6%
Logan, UT-ID	1.9%	-1.1%	0.8%	-0.7%	0.3%	-0.4%
Santa Cruz-Watsonville, CA	-1.3%	-0.7%	-2.0%	1.5%	-0.6%	0.8%
Cincinnati, OH-KY-IN	-16.0%	5.7%	-11.2%	-0.3%	2.7%	2.4%

CMS releases Fact Sheets

For additional information about the FY2024 IPPS Final Rule and 2024 OPPS Proposed Rule, please see:

- IPPS: https://www.cms.gov/newsroom/fact-sheets/fy-2024-hospital-inpatient-prospective-payment-system-ipps-and-long-term-care-hospital-prospective-0
- OPPS: https://www.cms.gov/newsroom/fact-sheets/cy-2024-medicare-hospital-outpatient-prospective-payment-system-and-ambulatory-surgical-center

Trend estimate considerations

- **Unit price trends only:** The calculated trend estimates are unit price trend estimates only. Intensity/mix trend and utilization trend are not included.
- **Sequestration:** The trends reflect allowed payment rate trends before the impact of sequestration. The impact of sequestration should be accounted for separately.
- **IPPS trends:** Only hospitals paid under Medicare's Acute Inpatient PPS (IPPS) fee schedule are included. IPPS is used to pay about 93% of Medicare fee-for-service (FFS) inpatient payments, excluding skilled nursing facilities (SNFs) and Maryland facilities. Facilities paid under the following are excluded: Inpatient Psychiatric Facility PPS, Inpatient Rehabilitation Facility PPS, Long-Term Care Hospital PPS, Hospice PPS, and Skilled Nursing Facility PPS fee schedules. Additionally, hospitals paid outside of PPS are excluded from the trend analysis, including critical access hospitals (paid at 101% of cost), cancer hospitals (paid based on historical costs), children's hospitals (paid based on cost), and Maryland waiver hospitals (paid at 91.3% of covered charges).
- **OPPS trends:** Trends are for outpatient facility charges paid using Medicare's hospital Outpatient PPS (OPPS) fee schedule. Trends do not reflect physical therapy (paid under resource-based relative value scale [RBRVS]), lab, durable medical equipment (DME), and ambulatory surgical center (ASC) services. Additionally, the trends exclude providers paid outside of OPPS: critical access hospitals (paid at 101% of cost), cancer hospitals (paid based on historical costs), children's hospitals (paid based on cost), and Maryland waiver hospitals (paid at 91.3% of covered charges, excluding ambulance and lab, which are paid using PPS).
- **Prospective trends:** All amounts reflect prospective amounts based on information available at the start of 2022, 2023, and 2024. Any settlements with CMS are not reflected. Additionally, midyear provider payment rate changes

are not reflected in the trend estimates, in order to create a consistent basis for the numerator (2024) and denominator (2022).

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[1] CMS (August 1, 2023). FY2024 Hospital Inpatient Prospective Payment System (IPPS) and Long-Term Care Hospital Prospective Payment System (LTCH PPS) Final Rule – CMS-1785-F and CMS-1788-F. Fact Sheet Retrieved October 29, 2023, from https://www.cms.gov/newsroom/fact-sheets/fy-2024-hospital-inpatient-prospective-payment-system-ipps-and-long-term-care-hospital-prospective-0.

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