

Long-Term Care Hospitals



Reforms are urgently needed to ensure that care continues to be available for Medicare beneficiaries who need specialized, high-acuity, and long-stay care. The field recommends that the following reforms are needed to stabilize the LTCH field:

Comprehensive LTCH Policy Reform Proposals

Reform Area	Identified Barrier	Proposed Reform
Dual-Rate Payment Expansion	<p>The Problem: Current “dual-rate” criteria exclude high-complexity patients who require long-term hospitalization, denying them access to the full LTCH Prospective Payment System (PPS) rate.</p> <p>The Risk: Current criteria exclude high-complexity patients from receiving the full LTCH PPS rate.</p>	<p>Ensure access for specific high-acuity beneficiaries</p> <p>Expand PPS payment criteria to include beneficiaries with multiple high-acuity comorbidities. This ensures no patient is left behind.</p>
PPS Accuracy & Diagnosis-Related Group (DRGs)	<p>The Problem: CMS relies on outdated inpatient DRGs and inflation forecasts that haven’t kept pace with actual hospital cost increases.</p> <p>The Risk: Missed forecasts have resulted in \$120 million in annual underpayments since 2020, forcing LTCHs to operate at negative margins.</p>	<p>Improve the accuracy of the LTCH PPS</p> <p>Revisit DRG weighting and the standard payment rate to ensure reimbursement accurately reflects the cost of treating the highest-acuity cases. This ensures that LTCHs do not consistently carry negative margins on a high proportion of severely ill cases.</p>
25-Day Average Length of Stay (ALOS) Requirement	<p>The Problem: While medical advances have shortened recovery times by 30% in general hospitals, LTCH regulations have not been updated since 1983.</p> <p>The Risk: LTCHs are penalized for being efficient. As care improves and patients recover faster, hospitals struggle to meet an outdated “long-stay” mandate.</p>	<p>Modernize the 25-Day Rule</p> <p>A proportional lowering of the ALOS requirement would still adequately distinguish LTCHs from general, acute care hospitals, while also allowing LTCHs to take advantage of advances in care that facilitate an earlier discharge for some beneficiaries.</p>

The Importance of LTCHs

Long-term care hospitals (LTCHs) play a unique role in the care continuum by providing care for the most severely ill Medicare beneficiaries who require extended hospitalization. These specialized hospitals offer a uniquely intensive level of care that is not generally available in other post-acute care settings.

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Outlier System Restructure	<p>The Problem: The Fixed-Loss Amount (FLA) has skyrocketed by 300% in the last 10 years, requiring LTCHs to absorb tens of thousands of dollars in losses before receiving help.</p> <p>The Risk: The current system perversely disincentivizes caring for the most expensive, high-cost outlier beneficiaries.</p>	<p>Restructure the LTCH outlier system</p> <p>Restructure the outlier system to provide additional reimbursement for high-cost cases, ensuring the safety net remains intact and beneficiaries continue to have access to LTCHs.</p>
Rural Access	<p>The Problem: The dual-rate system currently blocks full payment for patients admitted from Critical Access Hospitals and other rural facilities.</p> <p>The Risk: Rural beneficiaries are unfairly restricted from accessing LTCH services compared to their urban counterparts.</p>	<p>Expand rural access to LTCHs</p> <p>Modify PPS criteria to allow beneficiaries from rural facilities to qualify for full LTCH payment and preserve local access.</p>
Medicare Advantage (MA)	<p>The Problem: Some MA plans refuse to include LTCHs in their provider networks and use inappropriate prior authorization to block patient transfers.</p> <p>The Risk: MA beneficiaries face 2–3 times longer wait times for transfers and higher readmission risks than those in traditional Medicare.</p>	<p>Rein in harmful Medicare Advantage (MA) practices</p> <p>Mandate LTCH inclusion in MA networks and ensure admission practices provide parity with traditional Medicare counterparts.</p>