



Inpatient Prospective Payment System (IPPS)

What Is the Inpatient Prospective Payment System (IPPS)?

One in every five Medicare beneficiaries is hospitalized one or more times each year. Of the approximately \$300 billion dollars spent on the Medicare program each year, almost \$100 billion is spent on inpatient services.

More than three-quarters of the nation's inpatient acute-care hospitals are paid under the **inpatient prospective payment system**, while nearly a quarter are paid based on costs and are called Critical Access Hospitals (</advocacy-issues/cah/index.shtml>). The IPPS pays a flat rate based on the average charges across all hospitals for a specific diagnosis, regardless of whether that particular patient costs more or less. Everything from an aspirin to an artificial hip is included in the package price to the hospital.

Under the IPPS, each case is categorized into a diagnosis-related group to determine the base rate. Payment also is adjusted for differences in area wage costs -- and depending on the hospital and case -- teaching status, high percentage of low-income patients, the use of new technology and extremely costly cases.

Read on to explore resources and other educational tools to learn more about the IPPS.

WEBINAR

Overview of Proposed IPPS Rule (FY) 2025

May 30, 2024
12:00 – 1:00 PM CT



AHA
Coding Clinic®

(https://join.eventcastplus.com/eventcastplus/Overview-of-Proposed-IPPS-Rule-FY-2025?utm_bmc_source=AHA)

AHA IMPACT CALCULATORS

Download the most recent [AHA Inpatient PPS Advisory](#)

(<https://www.aha.org/system/files/media/file/2022/08/inpatient-pps-final-rule-for-fy-2023-advisory-8-24-22.pdf>) for a discussion on each of the programs. AHA is not releasing fiscal year (FY) 2023 calculators for either the Hospital Value-Based Purchasing (VBP) or Hospital-Acquired Condition (HAC) Reduction programs for FY 2023.

[Readmissions Penalty Calculator](#)

(https://www.aha.org/system/files/media/file/2022/09/readmissions-penalty-calculator-fy-2023-inpatient-final-rule_1.xlsx)

[Medicare Operating DSH Calculator](#)

(<https://www.aha.org/system/files/media/file/2022/09/medicare-operating-dsh-calculator-fy-2023-inpatient-pps-final-rule.xlsx>)

[Hospital-Acquired Condition Reduction Program Calculator](#)

(<https://www.aha.org/system/files/media/file/2021/08/hospital-acquired-condition-hac-penalty-calculator-fy-2021-inpatient-pps-final-rule.xlsx>)

[Value-Based Purchasing Program Calculator](#)

(<https://www.aha.org/system/files/media/file/2021/08/value-based-purchasing-vbp-calculator-fy-2021-inpatient-pps-final-rule.xlsx>)

RESOURCES

[Webinar: FY 2022 Inpatient Prospective Payment System \(IPPS\) Proposed Rule May 24, 2021](https://www.aha.org/webinar-recordings/2021-05-26-webinar-fy-2022-inpatient-prospective-payment-system-ipps-proposed)
(<https://www.aha.org/webinar-recordings/2021-05-26-webinar-fy-2022-inpatient-prospective-payment-system-ipps-proposed>)

Explore Inpatient Prospective Payment System (IPPS) Topics

1 Inpatient PPS Proposed Rule for FY 2024 (<https://www.aha.org/advisory/2023-05-04-inpatient-pps-proposed-rule-fy-2024>)

The Centers for Medicare & Medicaid Services (CMS) April 10 issued its hospital inpatient prospective payment system (PPS) and long-term care hospital (LTCH) PPS proposed rule for fiscal year (FY) 2024.

2 AHA Statement on FY 2024 Proposed IPPS & LTCH Payment Rule (<https://www.aha.org/press-releases/2023-04-10-aha-statement-fy-2024-proposed-ipps-ltch-payment-rule>)

The AHA is deeply concerned with CMS' woefully inadequate proposed inpatient hospital payment update of 2.8% given the near decades-high inflation and increased costs for labor, equipment, drugs and supplies.

3 AHA Calculators on Inpatient Prospective Payment System VBP, HRRP, HACRP and DSH Programs (<https://www.aha.org/toolkitsmethodology/2022-09-06-aha-calculators-inpatient-prospective-payment-system-vbp-hrrp-hacrp>)

Hospital Readmissions Reduction Program Disproportionate Share Hospital Adjustment & n

4 Inpatient PPS Final Rule for FY 2023 (<https://www.aha.org/advisory/2022-08-24-inpatient-pps-final-rule-fy-2023>)

The Centers for Medicare & Medicaid Services (CMS) August 1 issued its hospital inpatient prospective payment system (PPS) and long-term care hospital (LTCH) PPS final rule for fiscal year (FY) 2023. The rule affects inpatient PPS hospitals, critical access hospitals (CAHs), LTCHs and PPS-exempt cancer hospitals.

Inpatient PPS Final Rule for FY 2022 (<https://www.aha.org/advisory/2021-08-19-inpatient-pps-final-rule-fy-2022>)

At Issue The Centers for Medicare & Medicaid Services (CMS) Aug. 2 issued its hospital inpatient prospective payment system (PPS) and long-term care hospital (LTCH) PPS final rule for fiscal year (FY) 2022.

6 AHA Summary of Hospital Inpatient PPS Final Rule for Fiscal Year 2022 (<https://www.aha.org/2021-08-03-aha-summary-hospital-inpatient-pps-final-rule-fiscal-year-2022>)

The Centers for Medicare & Medicaid Services (CMS) Aug. 2 issued its hospital inpatient prospective payment system (PPS) and long-term care hospital (LTCH) PPS final rule for fiscal year (FY) 2022.

7 Regulatory Advisory: Hospital Inpatient PPS Proposed Rule for FY 2022 (<https://www.aha.org/advisory/2021-05-20-regulatory-advisory-hospital-inpatient-pps-proposed-rule-fy-2022>)

The Centers for Medicare & Medicaid Services (CMS) April 27 issued its hospital inpatient prospective payment system (PPS) and long-term care hospital (LTCH) PPS proposed rule for fiscal year (FY) 2022. The rule affects inpatient PPS hospitals, critical access hospitals (CAHs), LTCHs and PPS-exempt cancer hospitals.

Related Resources

SPECIAL BULLETIN

CMS Releases Hospital Inpatient PPS Interim Final Rule for Low Wage Index Policy (</special-bulletin/2024-10-01-cms-releases-hospital-inpatient-pps->

WEBINAR RECORDINGS

Transforming Episode Accountability Model (TEAM) Final Rule Webinar (</webinar-recordings/2024-09-23-transforming-episode-accountability->

ADVISORY

Inpatient PPS Final Rule for FY 2025 (</advisory/2024-08-14-inpatient-pps-final-rule-fy-2025>)

SPECIAL BULLETIN

CMS' Hospital Inpatient PPS Final Rule for FY 2025 (/special-bulletin/2024-08-02-cms-hospital-inpatient-pps-final-rule-fy-2025)

LETTER/COMMENT

AHA Comments on Potential DSH Cuts in IPPS Final Rule for FY 2025 (/lettercomment/2024-07-25-aha-comments-potential-dsh-cuts-ipp-ss-final-

LETTER/COMMENT

AHA Comments on CMS' Inpatient Payment Proposal for FY 2025 (/lettercomment/2024-06-05-aha-comments-cms-inpatient-payment-



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ALSO OF INTEREST

[CMS Releases Hospital Inpatient PPS Proposed... \(/2023-04-11-cms-releases-hospital-inpatient-pps-proposed-rule-fiscal-year-2024\)](#)

[CMS issues hospital IPPS final rule for FY 2024 \(/news/headline/2023-08-01-cms-issues-hospital-ipp-pps-final-rule-fy-2024\)](#)

[CMS issues hospital IPPS proposed rule for FY 2025 \(/news/news/2024-04-10-cms-issues-hospital-ipp-pps-proposed-rule-fy-2025\)](#)

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