



Inpatient Psychiatric Facilities Prospective Payment System (IPF PPS) Fiscal Year (FY) 2018

MLN Matters Number: MM10214

Related Change Request (CR) Number: 10214

Related CR Release Date: August 4, 2017

Effective Date: October 1, 2017

Related CR Transmittal Number: R3826CP

Implementation Date: October 2, 2017

PROVIDER TYPES AFFECTED

This MLN Matters Article is intended for physicians, providers and suppliers billing Medicare Administrative Contractors (MACs) for services provided to Medicare beneficiaries.

PROVIDER ACTION NEEDED

Change Request (CR) 10214 identifies changes that are required as part of the annual Inpatient Psychiatric Facilities Prospective Payment System (IPF PPS) update from the fiscal year (FY) 2018 IPF PPS Notice, displayed on August 2, 2017. These changes are applicable to IPF discharges occurring during fiscal year October 1, 2017 through September 30, 2018. This Recurring Update applies to “Claims Processing Manual”, Chapter 3, Section 190.4.3. Make sure your billing staff is aware of these changes.

BACKGROUND

On November 15, 2004, the Centers for Medicare & Medicaid Services (CMS) published in the *Federal Register* a final rule that established the PPS for IPF under the Medicare program in accordance with provisions of Section 124 of Public Law 106-113, the Medicare, Medicaid and SCHIP Balanced Budget Refinement Act of 1999 (BBRA). Payments to IPFs under the IPF PPS are based on a federal per diem base rate that includes both inpatient operating and capital-related costs (including routine and ancillary services), but excludes certain pass-through costs (that is, bad debts, and graduate medical education). CMS is required to make updates to this prospective payment system annually.

Key Points of CR 10214

Market Basket Update

For FY 2018, CMS is using the 2012-based IPF market basket to update the IPF PPS payments (that is, the Federal per diem base rate and Electroconvulsive Therapy (ECT) payment per treatment). The 2012-based IPF market basket update for FY 2018 is 2.6 percent. However, this 2.6 percent is subject to two reductions required by the Social Security Act (the Act), as described below.

Section 1886(s)(2)(A)(ii) of the Act requires the application of an “Other Adjustment” that reduces any update to the IPF market basket update by percentages specified in Section 1886(s)(3) of the Act for Rate Year (RY) beginning in 2010 through the RY beginning in 2019. For the FY beginning in 2017 (that is, FY 2018), Section 1886(s)(3)(E) of the Act requires the reduction to be 0.75 percentage point. CMS implemented that provision in the FY 2018 IPF PPS Notice.

In addition, Section 1886(s)(2)(A)(i) of the Act requires the application of the Productivity Adjustment described in Section 1886(b)(3)(B)(xi)(II) of the Act to the IPF PPS for the RY beginning in 2012 (that is, a RY that coincides with a FY), and each subsequent RY. For the FY beginning in 2017 (that is, FY 2018), the reduction is 0.6 percentage point. CMS implemented that provision in the FY 2018 IPF PPS Notice.

CMS updated the IPF PPS base rate for FY 2018 by applying the adjusted market basket update of 1.25 percent (which includes the 2012-based IPF market basket update of 2.6 percent, an ACA required 0.75 percentage point reduction to the market basket update, and an ACA required productivity adjustment reduction of 0.6 percentage point) and the wage index budget neutrality factor of 1.0006 to the FY 2017 Federal per diem base rate of \$761.37 to yield a FY 2018 Federal per diem base rate of \$771.35. Similarly, applying the adjusted market basket update of 1.25 percent and the wage index budget neutrality factor of 1.0006 to the FY 2017 ECT payment per treatment of \$327.78 yields an ECT payment per treatment of \$332.08 for FY 2018.

Inpatient Psychiatric Facilities Quality Reporting Program (IPFQR)

Section 1886(s)(4) of the Act requires the establishment of a quality data reporting program for the IPF PPS beginning in FY 2014. CMS finalized new requirements for quality reporting for IPFs in the “Hospital Inpatient Prospective Payment System for Acute Care Hospitals and the Long Term Care Hospital.

“Prospective Payment System and Fiscal Year 2013 Rates”, Final Rule (August 31, 2012) (77 FR 53258, 53644 through 53360). Section 1886(s)(4)(A)(i) of the Act requires that, for FY 2014 and each subsequent FY, the Secretary will reduce any annual update to a standard Federal rate for discharges occurring during the FY by two percentage points for any IPF that does not comply with the quality data submission requirements with respect to an applicable year. Therefore, a two percentage point reduction is applied to the Federal per diem base rate and the ECT payment per treatment as follows:

- For IPFs that fail to submit quality reporting data under the IPFQR program, a -0.75 percent annual update (an update consisting of 1.25 percent annual update (that is, the adjusted market basket update) reduced by 2.0 percentage points in accordance with Section 1886(s)(4)(A)(ii) of the Act) and the wage index budget neutrality factor of 1.0006 are applied to the FY 2017 Federal per diem base rate of \$761.37, yielding a Federal per diem base rate of \$756.11 for FY 2018.
- Similarly, a -0.75 percent annual update and the 1.0006 wage index budget neutrality factor are applied to the FY 2017 ECT payment per treatment of \$327.78, yielding an ECT payment per treatment of \$325.52 for FY 2018.

PRICER Updates: IPF PPS Fiscal Year 2018 (October 1, 2017 – September 30, 2018)

- The Federal per diem base rate is \$771.35 for IPFs that complied with quality data submission requirements.
- The Federal per diem base rate is \$756.11 when applying the two percentage point reduction, for IPFs that failed to comply with quality data submission requirements.
- The fixed dollar loss threshold amount is \$11,425.
- The IPF PPS wage index is based on the FY 2017 pre-floor, pre-reclassified acute care hospital wage index.
- The labor-related share is 75.0 percent.
- The non-labor related share is 25.0 percent.
- The ECT payment per treatment is \$332.08 for IPFs that complied with quality data submission requirements.
- The ECT payment per treatment is \$325.52 when applying the two percentage point reduction, for IPFs that failed to comply with quality data submission requirements.

The National Urban and Rural Cost to Charge Ratios for the IPF PPS Fiscal Year 2018 2018 Cost to Charge Ratios for the IPF Prospective Payment System Fiscal Year 2018

CCRs	Rural	Urban
National Median CCRs	0.5930	0.4420
National Ceiling CCRs	1.9634	1.7071

CMS is applying the national Cost-to-Charge Ratios (CCRs) to the following situations:

- For new IPF facilities that have not submitted their first Medicare cost report, CMS is using these national ratios until the facility's actual CCR can be computed using the first tentatively settled or final settled cost report, which will then be used for the subsequent cost report period.

- The IPFs whose operating or capital CCR is in excess of 3 standard deviations above the corresponding national geometric mean (that is, above the ceiling).
- Other IPFs for whom the fiscal intermediary obtains inaccurate or incomplete data with which to calculate either an operating or capital CCR or both.

International Classification of Diseases, Tenth Revision Clinical Modifications/Procedural Classification System (ICD-10- CM/PCS) Updates

The adjustment factors are unchanged for the FY 2018 IPF PPS. However, CMS updated the ICD-10- CM/PCS code set as of October 1, 2017. These updates affect the ICD-10-CM/PCS codes which underlie the IPF PPS MS-DRG categories, the IPF PPS comorbidity categories and the IPF PPS code first list. The updated FY 2018 MS-DRG code lists are available on the IPPS website at <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/index.html>, and the updated FY 2018 IPF PPS comorbidity categories, and IPF PPS code first list are available at <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientPsychFacilPPS/tools.html>.

FY 2018 IPF PPS Wage Index

The FY 2018 final IPF PPS wage index is available online at <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientPsychFacilPPS/WageIndex.html>. This FY 2018 IPF PPS final wage index adopts minor OMB changes to a few statistical area delineations.

Cost of Living Adjustment (COLA) Adjustment

The IPF PPS COLA factors list were updated for FY 2018. See Table 1 and 2 below:

Table 1: Alaska COLAs for IPF Prospective Payment System Fiscal Year 2018

Alaska:	Cost of Living Adjustment Factor
City of Anchorage and 80-kilometer (50-mile) radius by road	1.25
City of Fairbanks and 80-kilometer (50-mile) radius by road	1.25
City of Juneau and 80-kilometer (50-mile) radius by road	1.25
Rest of Alaska	1.25

Table 2: Hawaii COLAs for IPF Prospective Payment System Fiscal Year 2018

Hawaii	Cost of Living Adjustment Factor
City and County of Honolulu	1.25
County of Hawaii	1.21
County of Kauai	1.25
County of Maui and County of Kalawao	1.25

Rural Adjustment

Due to the OMB CBSA changes implemented in FY 2016, several IPFs had their status changed from “rural” to “urban” as of FY 2016. As a result, these rural IPFs were no longer eligible for the 17 percent rural adjustment which is part of the IPF PPS. Rather than ending the adjustment abruptly, CMS phased out the adjustment for these providers over a three year period. In FY 2016, the adjustment for these newly-urban providers was two-thirds of 17 percent, or 11.3 percent. For FY 2017, the adjustment for these providers is one-third of 17 percent, or 5.7 percent. For FY 2018 and subsequent years, no rural adjustment will be given to these providers. There is no rural phase-out for the single provider whose status changed from rural to urban as a result of the July 15, 2015, OMB Bulletin 15-01.

ADDITIONAL INFORMATION

The official instruction, CR10214, issued to your MAC regarding this change is available at <https://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/2017Downloads/R3826CP.pdf>.

If you have any questions, please contact your MAC at their toll-free number. That number is available at <https://www.cms.gov/Research-Statistics-Data-and-Systems/Monitoring-Programs/Medicare-FFS-Compliance-Programs/Review-Contractor-Directory-Interactive-Map/>

DOCUMENT HISTORY

Date of Change	Description
August 7, 2017	Initial article issued

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