

Update

Regulatory



Proposed Rule Summary

**Medicare Inpatient
Psychiatric Facility
Prospective Payment
System:**

Federal Fiscal Year 2015

June 2014

Table of Contents

| | |
|---|---|
| Overview and Resources | 1 |
| IPF Payment Rates | 1 |
| Effect of Sequestration | 2 |
| Wage Index and Labor-Related Share | 2 |
| Adjustments to the IPF Rates | 2 |
| ED Adjustment | 2 |
| Teaching Adjustment | 3 |
| Rural Adjustment | 3 |
| Patient Condition Adjustment | 3 |
| Patient Comorbid Condition Adjustment | 4 |
| Patient Age Adjustment | 4 |
| Patient Variable Per Diem Adjustment | 5 |
| Outlier Payments | 5 |
| IPFQR Program | 6 |

If you have any questions about this summary, contact Kathy Reep, FHA Vice President/Financial Services, by email at kathyr@fha.org or by phone at (407) 841-6230.

Overview and Resources

On May 6, 2014, the Centers for Medicare & Medicaid Services (CMS) released the federal fiscal year (FY) 2015 proposed payment rule for the inpatient psychiatric facility prospective payment system (IPF PPS). The proposed rule reflects the annual update to the Medicare fee-for-service (FFS) IPF payment rates and policies based on regulatory changes put forward by CMS and legislative changes previously adopted by Congress.

A copy of the proposed rule *Federal Register* and other resources related to the IPF PPS are available on the CMS Web site at <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientPsychFacilPPS/index.html>. An online version of the proposed rule is available at <https://federalregister.gov/a/2014-10306>.

A brief summary of the proposed rule is provided below along with *Federal Register* page references for additional details. Program changes proposed by CMS would be effective for discharges on or after October 1, 2014, unless otherwise noted. Comments on the proposed rule are due to CMS by June 30 and can be submitted electronically at <http://www.regulations.gov> by using the Web site’s search feature to search for file code “1606-P.”

IPF Payment Rates

Federal Register pages 26042-26046

Incorporating the proposed updates, with the effect of a budget neutrality adjustment for wage index, the table below lists the IPF federal per diem base rate and the electroconvulsive therapy (ECT) base rate for FY2015 compared to the rates currently in effect.

| | Final FY2014 | Proposed FY2015 | Percent Change |
|------------------------|-------------------------|----------------------------|---------------------------|
| IPF Per Diem Base Rate | \$713.19 | \$727.67 | +2.0 |
| ECT Base Rate | \$307.04 | \$313.27 | +2.0 |

The table below provides details of the proposed updates to the IPF payment rates for FY2015.

| | FY2015 IPF Rate Updates (percent) |
|---|--|
| Market Basket Update | +2.7 |
| ACA-Mandated Productivity Market Basket Reduction | -0.4 percentage points |
| ACA-Mandated Pre-Determined Market Basket Reduction | -0.3 percentage points |
| <i>Overall Rate Change</i> | +2.0 |

Effect of Sequestration

Federal Register page reference not available

While the proposed rule does not specifically address the 2.0 percent sequester reductions to all lines of Medicare payments authorized by Congress and currently in effect through FY2024, sequester will continue unless Congress intervenes. Sequester is not applied to the payment rate; instead, it is applied to Medicare claims after determining co-insurance, any applicable deductibles, and any applicable Medicare secondary payment adjustments.

Wage Index and Labor-Related Share

Federal Register pages 26056-26060, and 26044-26045

The labor-related portion of the IPF per diem base rate and ECT base rate are adjusted for differences in area wage levels using a wage index. CMS is not proposing any major changes to the calculation of Medicare IPF wage indexes. Also, CMS is not proposing to adopt the new labor-market areas proposed for use under the inpatient prospective payment system (IPPS) and other Medicare payment systems for FY2015 and beyond. As has been the case in previous years, CMS would use the prior year's inpatient hospital wage index, the FY2014 pre-rural floor and pre-reclassified hospital wage index, to adjust payment rates under the IPF PPS for FY2015. A complete list of the IPF wage indexes for payment in FY2015 is available in Tables 1 and 2 of the proposed rule on *Federal Register* pages 26082-26089. These values will not be updated for the final rule.

Based on updates to this year's market basket value, CMS would increase the labor share of the IPF per diem base rate and ECT base rate from 69.494 percent for FY2014 to 69.538 percent for FY2015. This change would provide a slight increase in payments to IPFs with a wage index greater than 1.0.

Adjustments to the IPF Payment Rates

Federal Register pages 26046-26057

For FY2015, CMS is proposing to retain the facility and patient-level adjustments currently used under the IPF PPS. The adjustments are described in detail below.

- ED Adjustment (*Federal Register* pages 26055-26056): For FY2015, IPFs with a qualifying emergency department (ED) would continue to receive an adjustment factor of 1.31, rather than 1.19, as the variable per diem adjustment for day 1 of each stay (see "[Patient Variable Per Diem Adjustment](#)" section). This adjustment is intended to account for the costs associated with maintaining a full-service ED. The ED adjustment applies to all IPF admissions, regardless of whether a patient receives preadmission services in the hospital's ED. The ED adjustment is not made when a patient is discharged from an acute care hospital or Critical Access Hospital (CAH) and admitted to the same hospital or CAH's psychiatric unit.
- Teaching Adjustment (*Federal Register* page 26057): IPFs with teaching programs would continue to receive an adjustment to the per diem rate to account for the higher indirect operating costs experienced by hospitals that participate in graduate medical

education (GME) programs. CMS would maintain the teaching adjustment factor at 0.5150 for FY2015. The teaching adjustment is based on the number of full-time equivalent (FTE) interns and residents training in the IPF and the IPF's average daily census (ADC). CMS would maintain the following formula to calculate the teaching adjustment: $(1 + \text{IPF's FTE resident to ADC ratio})^{0.5150}$. CMS would continue to allow temporary adjustments to FTE caps to reflect residents added due to closure of an IPF or a closure of an IPF's medical residency training program.

- Rural Adjustment (*Federal Register* page 26057): IPFs located in rural areas would continue to receive an adjustment to the per diem rate of 1.17. This adjustment is provided because an analysis by CMS determined that the per diem cost of rural IPFs was 17 percent higher than that of urban IPFs.
- Patient Condition (MS-DRG) Adjustment (*Federal Register* pages 26046-26048): For FY2015, CMS would continue to use the Medicare-Severity Diagnosis Related Group (MS-DRG) system used under the IPPS to classify Medicare patients treated in IPFs. Like the IPPS, CMS uses the International Classification of Diseases, 9th Revision, Clinical Modification (ICD-9-CM) as the designated code set for the IPF PPS. Annual changes to the ICD-9-CM coding system made under the IPPS are incorporated into the IPF PPS. CMS has, however, stated its goal to convert to the ICD-10 coding system when ICD-10 becomes the required medical data code set for Medicare claims – currently set for FY2016.

As has been the case in prior years, principal diagnoses codes (ICD-9-CMs) that group to one of 17 MS-DRGs recognized under the IPF PPS would receive a DRG adjustment. Principal diagnoses that do not group to one of the designated MS-DRGs recognized under the IPF PPS still receive the federal per diem base rate and all other applicable adjustments, but the payment would not include a DRG adjustment. The following table lists the 17 MS-DRGs that would be eligible for a MS-DRG adjustment under the IPF PPS for FY2015. These are the same adjustment levels currently in place.

| MS-DRG | Description | Adjustment Factor |
|--------|---|-------------------|
| 896 | Alcohol/drug abuse or dependence w/o rehabilitation therapy w MCC | 0.88 |
| 897 | Alcohol/drug abuse or dependence w/o rehabilitation therapy w/o MCC | 0.88 |
| 887 | Other mental disorder diagnoses | 0.92 |
| 894 | Alcohol/drug abuse or dependence, left AMA | 0.97 |
| 881 | Depressive neuroses | 0.99 |
| 886 | Behavioral & developmental disorders | 0.99 |
| 885 | Psychoses | 1.00 |
| 882 | Neuroses except depressive | 1.02 |
| 883 | Disorders of personality & impulse control | 1.02 |
| 895 | Alcohol/drug abuse or dependence w rehabilitation therapy | 1.02 |
| 884 | Organic disturbances & mental retardation | 1.03 |
| 056 | Degenerative nervous system disorders w MCC | 1.05 |
| 057 | Degenerative nervous system disorders w/o MCC | 1.05 |
| 880 | Acute adjustment reaction & psychosocial dysfunction | 1.05 |
| 080 | Non-traumatic stupor & coma w MCC | 1.07 |
| 081 | Non-traumatic stupor & coma w/o MCC | 1.07 |

| MS-DRG | Description | Adjustment Factor |
|--------|--|-------------------|
| 876 | O.R. procedure w principal diagnoses of mental illness | 1.22 |

- Patient Comorbid Condition Adjustment (*Federal Register* pages 26048-26055): For FY2015, the IPF PPS would continue to recognize 17 comorbidity categories for which an adjustment to the per diem rate can be applied. The ICD-9-CM diagnosis codes that generate the comorbid condition payment adjustment, as well as the proposed list of ICD-10-CM diagnosis codes, are listed on *Federal Register* pages 26053-26055. For each claim, an IPF may receive only one comorbidity adjustment per comorbidity category, but it may receive an adjustment for more than one category. The following table lists the comorbid condition payment adjustments for FY2015. These are the same adjustment levels currently in place.

| Description of Comorbidity | Adjustment Factor |
|---|-------------------|
| Drug and/or Alcohol Induced Mental Disorders | 1.03 |
| Developmental disabilities | 1.04 |
| Uncontrolled Diabetes Mellitus | 1.05 |
| Tracheostomy | 1.06 |
| Oncology Treatment | 1.07 |
| Infectious Diseases | 1.07 |
| Artificial Openings—Digestive and Urinary | 1.08 |
| Severe Musculoskeletal and Connective Tissue Diseases | 1.09 |
| Gangrene | 1.10 |
| Renal Failure, Acute | 1.11 |
| Renal Failure, Chronic | 1.11 |
| Cardiac Conditions | 1.11 |
| Poisoning | 1.11 |
| Eating and Conduct Disorders | 1.12 |
| Chronic Obstructive Pulmonary Disease | 1.12 |
| Coagulation Factor Deficits | 1.13 |
| Severe Protein Calorie Malnutrition | 1.13 |

- Patient Age Adjustment (*Federal Register* page 26055): The IPF PPS would maintain the patient age adjustment for FY2015. Analysis by CMS has shown that IPF per diem costs increase with patient age. The following table lists the patient age adjustments for FY2015. These are the same adjustment levels currently in place.

| Age | Adjustment Factor | Age | Adjustment Factor |
|-----------------|-------------------|-----------------|-------------------|
| Under 45 | 1.00 | 65 and under 70 | 1.10 |
| 45 and under 50 | 1.01 | 70 and under 75 | 1.13 |
| 50 and under 55 | 1.02 | 75 and under 80 | 1.15 |
| 55 and under 60 | 1.04 | 80 and over | 1.17 |
| 60 and under 65 | 1.07 | | |

- Patient Variable Per Diem Adjustment (*Federal Register* pages 26055-26056): For FY2015, the per diem rate would continue to be adjusted based on patient length-of-

stay (LOS) using variable per diem adjustments. Analysis by CMS has shown that per diem costs decline as the LOS increases. Currently, variable per diem adjustments begin on day 1 (adjustment of 1.19 or 1.31 depending on the presence of an ED – see [“ED Adjustment”](#) section) and gradually decline until day 21 of a patient’s stay. For day 22 and thereafter, the variable per diem adjustment remains the same each day for the remainder of the stay. The following table lists the variable per diem adjustment factors for FY2015. These are the same adjustment levels currently in place.

| Day-of-Stay | Adjustment Factor | Day-of-Stay | Adjustment Factor |
|-------------|------------------------------|--------------|-------------------|
| Day 1 | 1.19 (w/o ED) or 1.31 (w/ED) | Day 12 | 0.99 |
| Day 2 | 1.12 | Day 13 | 0.99 |
| Day 3 | 1.08 | Day 14 | 0.99 |
| Day 4 | 1.05 | Day 15 | 0.98 |
| Day 5 | 1.04 | Day 16 | 0.97 |
| Day 6 | 1.02 | Day 17 | 0.97 |
| Day 7 | 1.01 | Day 18 | 0.96 |
| Day 8 | 1.01 | Day 19 | 0.95 |
| Day 9 | 1.00 | Day 20 | 0.95 |
| Day 10 | 1.00 | Day 21 | 0.95 |
| Day 11 | 0.99 | After Day 21 | 0.92 |

Outlier Payments

Federal Register pages 26060-26061

Outlier payments were established under the IPF PPS to provide additional payments for extremely costly cases. Outlier payments are made when an IPF’s estimated total cost for a case exceeds a fixed dollar loss threshold amount (multiplied by the IPF’s facility-level adjustments) plus the federal per diem payment amount for the case. Costs are determined by multiplying the facility’s overall cost-to-charge ratio (CCR) by the allowable charges for the case. When a case qualifies for an outlier payment, CMS pays 80 percent of the difference between the estimated cost for the case and the adjusted threshold amount for days 1 through 9 of the stay and 60 percent of the difference for day 10 and thereafter. The varying 80 percent and 60 percent “loss sharing ratios” were established to discourage IPFs from increasing patient LOS in order to receive outlier payments. CMS has established a target of 2.0 percent of total IPF PPS payments to be set aside for high cost outliers. To meet this target for FY2015, CMS is updating the outlier threshold value to \$10,125, a 1.2 percent decrease compared to the current threshold of \$10,245.

IPFQR Program

Federal Register pages 26061-26073

As previously adopted, for FY2015 payment determinations under inpatient psychiatric facility quality reporting (IPFQR) program, hospitals were required to report on a total of six quality measures. CMS has already adopted additional measures though the FY2016 payment determination year. IPFs that do not successfully participate in the IPFQR program are subject to a 2.0 percentage point reduction to the market basket update for the applicable year—the reduction factor value is set in law.

CMS is using the FY2015 rulemaking process to adopt new measures for federal FYs 2016 and 2017 payment determinations along with updated and/or new data submission timelines for the previously adopted and newly proposed measures. For FY2016 payment determinations, CMS is proposing to collect data on a total of 10 quality measures (up from six measures for FY2015 determinations). CMS would retain the eight measures currently in place for FY2016 determinations and add two new structural measures. As the newly proposed measures are considered self-attestations, CMS notes that there would be no additional data collection required by IPFs for FY2016 determinations. For FY2017 payment determinations, CMS is proposing to collect data on a total of 14 quality measures (up from 10 measures for FY2016 determinations). CMS would retain the 10 measures for FY2016 determinations (eight previously adopted; two newly proposed) and add three new clinical quality-of-care measures and one patient safety measure.

The following lists the IPFQR program measures and applicable payment determination years:

| Measure | Payment Determination Year |
|---|--|
| NQF #0640: HBIPS-2 – Hours of Physical Restraint Use | FY2015 and beyond |
| NQF #0641: HBIPS-3 – Hours of Seclusion Use | FY2015 and beyond |
| NQF #0552: Patients Discharged on Multiple Antipsychotic Medications | FY2015 and beyond |
| NQF #0560: HBIPS-5 – Patients Discharged on Multiple Antipsychotic Medications with Appropriate Justification | FY2015 and beyond |
| NQF #0557: Post Discharge Continuing Care Plan Created | FY2015 and beyond |
| NQF #0558: Post-Discharge Continuing Care Plan Transmitted to Next Level of Care Provider Upon Discharge | FY2015 and beyond |
| NQF #1661: SUB-1 – Alcohol Use Screening | FY2016 and beyond |
| NQF #0576: FUH – Follow-Up After Hospitalization for Mental Illness | FY2016 and beyond |
| [Not NQF Endorsed]: Assessment of Patient Experience of Care (web-based attestation) | FY2016 and beyond <i>(Newly Proposed)</i> |
| [Not NQF Endorsed]: Use of an electronic health record (web-based attestation) | FY2016 and beyond <i>(Newly Proposed)</i> |
| NQF #1659: IMM-2 – Influenza Immunization | FY2017 and beyond <i>(Newly Proposed)</i> |
| NQF #0431: NHSN Influenza Vaccination Coverage Among Healthcare Personnel | FY2017 and beyond <i>(Newly Proposed)</i> |
| NQF #1651: TOB-1 – Tobacco Use Screening | FY2017 and beyond <i>(Newly Proposed)</i> |
| NQF #1654: TOB-2/2a – Tobacco Use Treatment Provided or Offered and Tobacco Use Treatment | FY2017 and beyond <i>(Newly Proposed)</i> |

As it does each year, CMS is using the proposed rule to update the IPFQR program data submission deadlines, procedures, and other program details. CMS is also seeking comment on future measure topic areas. Details on these items are available on *Federal Register* pages 26071-26073.