

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
Centers for Medicare & Medicaid Services



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# Inpatient Psychiatric Facility Prospective Payment System

PAYMENT SYSTEM FACT SHEET SERIES





**Please note:** The information in this publication applies only to the Medicare Fee-For-Service Program (also known as Original Medicare).

**T**his publication provides the following information about the Inpatient Psychiatric Facility Prospective Payment System (IPF PPS):

- ❖ Background;
- ❖ Coverage requirements;
- ❖ How payment rates are set;
- ❖ Fiscal year (FY) 2015 update to the IPF PPS;
- ❖ IPF Quality Reporting (QR) Program; and
- ❖ Resources.

When “you” is used in this publication, we are referring to IPFs.

## Background

Under Section 124 of the Balanced Budget Refinement Act of 1999 (Public Law 106-113), the IPF PPS for psychiatric services furnished to Medicare patients in psychiatric hospitals and distinct part units in acute care hospitals and Critical Access Hospitals was implemented effective January 2005.

## Coverage Requirements

The following requirements must be met for Medicare to pay for inpatient psychiatric hospital services under the IPF PPS:

- ❖ You must furnish:
  - The patient active psychiatric treatment that can be reasonably expected to improve his or her condition; and
  - Services while the patient is receiving either active psychiatric treatment or admission and related services necessary for diagnostic treatment; and
- ❖ A physician must provide:
  - Certification at the time of admission or as soon thereafter as is reasonable and practicable that the patient needs, on a daily basis, active inpatient treatment furnished directly by or requiring the supervision of IPF personnel;
  - The first re-certification as of the 12th day of hospitalization; and
  - Subsequent re-certifications at intervals established by the utilization review committee (on a case-by-case basis, if it so chooses), but no less than every 30 days that the patient continues to need, on a daily basis, active inpatient treatment furnished directly by or requiring the supervision of IPF personnel.

Patients who are treated for psychiatric conditions in specialty facilities are covered for 90 days of care per illness with a 60-day lifetime reserve and for 190 days of care in freestanding psychiatric hospitals.

## How Payment Rates Are Set

Under the IPF PPS, Federal per diem rates include inpatient operating and capital-related costs (including routine and ancillary services) and are determined based on:

- ❖ Geographic factors:
  - A hospital wage index value is assigned to account for geographic differences in wage levels; and
  - The non-labor-related portion accounts for higher cost of living for IPFs located in Alaska and Hawaii;

- ❖ Patient characteristics:
  - Medicare Severity-Diagnosis Related Group (MS-DRG) classification;
  - Age;
  - Presence of specified comorbidities; and
  - Length of stay; and
- ❖ Facility characteristics:
  - A 17 percent payment adjustment for rural facilities due to their higher costs; and
  - Teaching hospitals receive payment to account for indirect medical education costs.



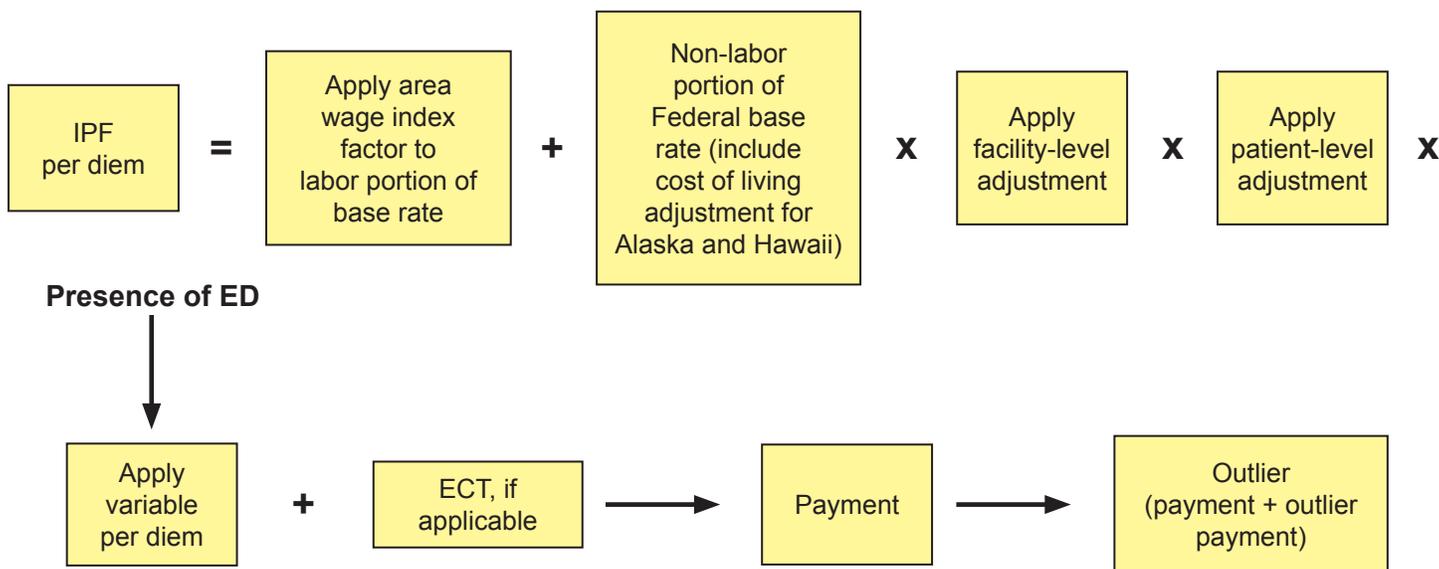
The per diem base rate excludes pass-through costs such as bad debts and graduate medical education.

You are paid under the PPS according to your cost reporting year and transition into the PPS. The transition to 100 percent PPS rates was complete for cost reporting periods beginning in 2008. During the transition, the stop-loss provision guaranteed that you were not paid less than 70 percent of what you would have been paid under the Tax Equity and Fiscal Responsibility Act of 1982. This means that, beginning January 1, 2009, all IPFs receive 100 percent IPF PPS payment and, therefore, the stop-loss provision is no longer applied. In the implementation year, the Federal per diem base rate and ECT rate were reduced by 0.39 percent to ensure that stop-loss payments were budget neutral. In rate year 2009, since both the transition and stop-loss provision ended, the rates were increased by 0.39 percent.

Additional payments are provided for the following:

- ❖ Patients treated in IPFs that have a qualifying emergency department (ED) receive a 12 percent higher payment for the first day of the stay;
- ❖ The number of Electroconvulsive Therapy (ECT) treatments furnished; and
- ❖ Outlier payments for cases with extraordinarily high costs (payment is 80 percent of the costs above the threshold plus the estimated rate for days 1 – 9 and 60 percent of excess costs for the remaining days).

### Payment Rates Under The Inpatient Psychiatric Prospective Payment System



## FY 2015 Update to the IPF PPS

The FY 2015 update to the IPF PPS includes the following:

- ❖ Market basket update:
  - The Rehabilitation/Psychiatric/Long-Term Care market basket is used to update the Federal per diem base rate;
- ❖ Pricer updates:
  - Federal per diem base rate: \$728.31;
  - Federal per diem base rate with the 2.0 percentage point reduction: \$714.05;
  - Fixed-dollar loss threshold amount: \$8,755.00;
  - Transition blend for cost reporting periods beginning on or after January 1, 2008: 100 percent PPS;
  - Labor-related share (69.294 percent): \$504.68;
  - Labor-related share with the 2.0 percentage point reduction (69.294 percent): \$494.79;
  - Non-labor-related share (30.706 percent): \$223.63;
  - Non-labor-related share with the 2.0 percentage point reduction (30.706 percent): \$219.26;
  - ECT rate: \$313.55; and
  - ECT rate with the 2.0 percentage point reduction: \$307.41;
- ❖ MS-DRG and comorbidity adjustments;
- ❖ FY 2014 pre-floor, pre-reclassified hospital wage index and a wage index budget neutrality factor of 1.0002; and
- ❖ National cost-to-charge ratios (CCR) which apply to IPFs:
  - That have not yet submitted their first cost report;



- Whose operating or capital CCR is in excess of 3 standard deviations above the corresponding national geometric mean (the ceiling); or
- Whose Medicare Administrative Contractors obtain inaccurate or incomplete data to calculate either an operating or capital CCR or both.

The chart below provides national CCRs.

### National Cost-to-Charge Ratios

CCR	Median	Ceiling
Urban	0.471	1.6582
Rural	0.622	1.8590

For more information about IPF PPS payment updates, refer to the “Medicare Issues Payment Updates and Policy Changes for Inpatient Psychiatric Facilities” Fact Sheet located at <http://www.cms.gov/Newsroom/MediaReleaseDatabase/Fact-sheets/2014-Fact-sheets-items/2014-07-31-3.html> on the Centers for Medicare & Medicaid Services (CMS) website and the FY 2015 Inpatient Psychiatric Hospital Facility PPS Final Rule located at <http://www.gpo.gov/fdsys/pkg/FR-2014-08-06/pdf/2014-18329.pdf> on the United States Government Printing Office website.

## IPFQR Program

Section 1886(s)(4)(C) of the Social Security Act requires the establishment of the IPFQR Program. Beginning in FY 2014, if you do not report the quality data, you will be subject to a 2.0 percentage point reduction to the applicable annual update.

The chart below provides the quality measures that you must report beginning in FYs 2013, 2015, and 2016.

### Quality Measures for FYs 2013, 2015, and 2016

Fiscal Year	Quality Measures
Report in FY 2013, with reduction to annual update in FY 2014 if quality data is not reported	<ol style="list-style-type: none"> <li>1. Hours of physical restraint use (National Quality Forum [NQF] #0640);</li> <li>2. Hours of seclusion use (NQF #0641);</li> <li>3. Patients discharged on multiple antipsychotic medications (NQF #0552);</li> <li>4. Patients discharged on multiple antipsychotic medications with appropriate justification (NQF #0560);</li> <li>5. Post-discharge continuing care plan created (NQF #0557); and</li> <li>6. Post-discharge continuing care plan transmitted to next level of care provider upon discharge (NQF #0558).</li> </ol>
Report in FY 2015, with reduction to annual update in FY 2016 if quality data is not reported	<ol style="list-style-type: none"> <li>1. Alcohol use screening (NQF #1661);</li> <li>2. Follow-up after hospitalization for mental illness (NQF #0576);</li> <li>3. Assessment of Patient Experience of Care; and</li> <li>4. Use of an Electronic Health Record.</li> </ol>
Report in FY 2016, with reduction to annual update in FY 2017 if quality data is not reported	<ol style="list-style-type: none"> <li>1. Influenza immunization (NQF #1659);</li> <li>2. Influenza Vaccination Coverage Among Healthcare Personnel (NQF #0431);</li> <li>3. Tobacco Use Screening (NQF #1651); and</li> <li>4. Tobacco Use Treatment Provided or Offered and Tobacco Use Treatment (NQF #1654).</li> </ol>

Beginning in FY 2017, you must also report aggregate population and sampling data for Medicare and non-Medicare discharges by age group, diagnostic group, and quarter and sample size counts for measures for which sampling is performed.

## Resources

The chart below provides IPF PPS resource information.

### Inpatient Psychiatric Facility Prospective Payment System Resources

For More Information About...	Resource
Inpatient Psychiatric Facility Prospective Payment System	<p><a href="http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientPsychFacilPPS">http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientPsychFacilPPS</a> on the CMS website</p> <p>Chapters 2 and 3 of the “Medicare Benefit Policy Manual” (Publication 100-02) located at <a href="http://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/Internet-Only-Manuals-IOMs-Items/CMS012673.html">http://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/Internet-Only-Manuals-IOMs-Items/CMS012673.html</a> on the CMS website</p> <p>Chapter 3 of the “Medicare Claims Processing Manual” (Publication 100-04) located at <a href="http://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/Downloads/clm104c03.pdf">http://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/Downloads/clm104c03.pdf</a> on the CMS website</p>
Inpatient Psychiatric Facility Quality Reporting Program Requirements	<p><a href="https://www.qualitynet.org">https://www.qualitynet.org</a> on the QualityNet website</p>
All Available Medicare Learning Network® (MLN) Products	<p>“MLN Catalog” located at <a href="http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNProducts/Downloads/MLNCatalog.pdf">http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNProducts/Downloads/MLNCatalog.pdf</a> on the CMS website or scan the Quick Response (QR) code on the right</p> 
Provider-Specific Medicare Information	<p>MLN publication titled “MLN Guided Pathways: Provider Specific Medicare Resources” located at <a href="http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNEdWebGuide/Downloads/Guided_Pathways_Provider_Specific_booklet.pdf">http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNEdWebGuide/Downloads/Guided_Pathways_Provider_Specific_booklet.pdf</a> on the CMS website</p>
Medicare Information for Patients	<p><a href="http://www.medicare.gov">http://www.medicare.gov</a> on the CMS website</p>



This fact sheet was current at the time it was published or uploaded onto the web. Medicare policy changes frequently so links to the source documents have been provided within the document for your reference.

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