



Update-Inpatient Psychiatric Facilities Prospective Payment System (IPF PPS) Rate Year (RY) 2009 – JA6077

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Date Job Aid Revised: July 28, 2008

Effective Date: July 1, 2008

Implementation Date: July 7, 2008

Key Words	CR6077, R1543CP, MM6077, Inpatient, Psychiatric, Facilities, Prospective, Payment, IPF, PPS
Contractors Affected	<ul style="list-style-type: none"> • Medicare Fiscal Intermediaries (FIs) • Part A/B Medicare Administrative Contractors (A/B MACs)
Provider Types Affected	Providers submitting claims to Medicare FIs or A/B MACs for inpatient psychiatric services provided to Medicare beneficiaries



- Change Request (CR) 6077 identifies changes that are required as part of the annual IPF PPS update from the RY 2009 IPF PPS update notice, published on May 7, 2008. These changes include:
 - The market basket update,
 - Pricer updates for IPF PPS RY 2009, (July 1, 2008 – June 30, 2009),
 - The stop-loss provision,
 - The electroconvulsive therapy (ECT) update,
 - The payment rate,
 - The national urban and rural cost to charge ratios (CCRs) for the IPF PPS RY 2008,
 - The Medicare Severity Diagnostic Related Group (MS-DRG) update, and
 - The cost-of-living adjustment (COLA) for Alaska and Hawaii.
- The IPF PPS Pricer is also corrected to include diagnosis code 07070 (Viral Hepatitis C without Hepatic Coma) in calculating a comorbidity adjustment for claims with

discharge dates on or after January 1, 2005, through June 30, 2006.

- These changes are applicable to IPF discharges occurring during the RY beginning on July 1, 2008, through June 30, 2009.

Market Basket Update

The Centers for Medicare & Medicaid Services (CMS) uses the **Rehabilitation/Psychiatric/Long-Term Care** market basket to update the IPF PPS portion of the blended payment rate (that is the federal per diem base rate).

PRICER Updates: For IPF PPS RY 2009, (July 1, 2008 – June 30, 2009)

- The federal per diem base rate is **\$637.78**;
- The fixed dollar loss threshold amount is **\$6,113.00**;
- The transition from the Tax Equity and Fiscal Responsibility Act (TEFRA) to PPS ends in 2008. For cost reporting periods beginning on or after January 1, 2008, payments will be **100% PPS**;
- The IPF PPS will use the FY 2008 unadjusted pre-floor, pre-reclassified hospital wage index;
- The labor-related share is **75.631%**;
- The non-labor related share is **24.369%**; and
- The ECT rate is **\$274.58**.

Provider Needs to Know...

Stop-Loss Provision

- To ensure that an IPF's total PPS payments were no less than a minimum percentage of their TEFRA payment (had the IPF PPS not been implemented), CMS provided a stop-loss payment during the transition from cost-based reimbursement to the per diem payment system.
- Since the transition will be completed for RY 2009, for cost reporting periods beginning on or after January 1, 2008, IPFs will be paid 100% IPF PPS.
- Therefore, the stop loss provision will no longer be applicable, and the 0.39% adjustment to the federal per diem base rate will be removed.
- For RY 2009, the federal per diem base rate and ECT rates will be increased by 0.39%. The rates published in Change Request 6077 include this increase.

ECT Update

The update methodology for the ECT rate is to update the previous RY's amount by the market basket increase, wage index budget neutrality factor, and stop-loss premium removal. For RY 2009, the ECT adjustment per treatment is **\$274.58**.

Payment Rate

- 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 (i.e., bad debts, and graduate medical education).
- The RY 2009 rates were published in the update notice and can be found at <http://www.cms.hhs.gov/InpatientPsychFacilPPS> on the CMS website.

RY2009 IPF PPS Per Diem Rate

- Federal Per Diem Base Rate - **\$637.78**
- Labor Share (0.75631) - **\$482.36**
- Non-Labor Share (0.24369) - **\$155.42**

The National Urban and Rural Cost to CCR for the IPF PPS RY 2009

<i>CCR</i>	<i>Median</i>	<i>Ceiling</i>
• Urban	0.537	1.6724
• Rural	0.686	1.8041

The national median CCRs are being applied to the following situations:

- New IPFs that have not yet submitted their first Medicare cost report. For new facilities, these national ratios will be used 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.
- 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 Medicare FI or A/B MAC obtains inaccurate or incomplete data with which to calculate either an operating or capital CCR or both.

MS-DRG Update

- Since the IPF PPS uses the same GROUPER as the inpatient PPS (including the same diagnostic code set and DRG classification system), the IPF PPS is adopting the IPPS new MS-DRG coding system in order to maintain that consistency. The updated codes are effective October 1 of each year. **Although the code set is being updated, these are the same adjustment factors that have been in place since implementation.**
- Based on changes to the IPPS, changes are being made to the principal diagnosis DRGs under the IPF PPS. Providers can see the crosswalk of current DRGs to the new MS-DRGs, which were effective October 1, 2007, on pages 4 & 5 of MLN Matters article MM6077 at <http://www.cms.hhs.gov/MLNMattersArticles/downloads/MM6077.pdf> on the CMS website.

Issue Unrelated to the RY 2009 IPF PPS Update

- CMS identified an error within the IPF PPS Pricer that did not calculate a comorbidity adjustment (adjustment factor 1.07) on claims that contained both diagnosis code

07070 and a discharge date occurring on or after January 1, 2005, through June 30, 2006.

- This error will be corrected in the release of the RY 09 Pricer.
- **Medicare FIs and A/B MACs will reprocess and finalize any claim affected by this error, if providers bring it to their attention.**

Background

- Under the IPF PPS, payments to inpatient psychiatric facilities 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 (i.e., bad debts, and graduate medical education).
- CMS is required to update this IPF PPS annually.
- The RY update is effective July 1 - June 30 of each year and the MS-DRG and International Classification of Diseases, Ninth Revision, Clinical Modification codes are updated on October 1 of each year.

Operational Impact

- The IPF PPS Pricer will calculate the comorbidity adjustment on claims that include diagnosis code 07070 and have a discharge date on or before January 1, 2005, through June 30, 2006. Contractors will reprocess and finalize any affected claims that are brought to their attention.
- The FI Shared System will install and pay claims with the RY 2009 IPF PPS Pricer for discharges occurring on or after July 1, 2008.

Reference Materials

The related MLN Matters article can be found at <http://www.cms.hhs.gov/MLNMattersArticles/downloads/MM6077.pdf> on the CMS website.

The official instruction (CR 6085) regarding this change may be viewed at <http://www.cms.hhs.gov/Transmittals/downloads/R1543CP.pdf> on the CMS website.

The updated *Medicare Claims Processing Manual* Chapter 3 (Inpatient Hospital Billing) Sections 190.4.2.1 (Budget Neutrality Components), 190.5 (Patient-Level Adjustments), 190.5.1 (Diagnosis- Related Groups (DRGs) Adjustments), 190.5.2 (Application of Code First, 190.6.5 - Cost-of-Living Adjustment (COLA) for Alaska and Hawaii), 190.7.3 (Electroconvulsive Therapy (ECT) Payment), 190.7.4 (Stop Loss Provision (Transition Period Only)), 190.10.1 (General Rules), and 190.17.1 (Inputs/Outputs to PRICER) is an attachment to CR6077.