



Update-Inpatient Psychiatric Facilities Prospective Payment System (IPF PPS) Rate Year (RY) 2011 – JA6986

Related CR Release Date: June 4, 2010

Date Job Aid Revised: June 11, 2010

Effective Date: July 1, 2010

Implementation Date: July 6, 2010

Key Words MM6986, CR6986, R1981CP, IPF, PPS, Prospective

Contractors Affected

- 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 and paid under the IPF PPS, are affected.



Change Request (CR) 6986 identifies changes required as part of the annual IPF PPS update for RY 2011. These changes are effective July 1, 2010, and are applicable to IPF discharges occurring during the rate year July 1, 2010, through June 30, 2011.

Market Basket Update

Provider Needs to Know...

- The Centers for Medicare & Medicaid Services (CMS) is required to apply an "Other Adjustment" that reduces any update to the IPF PPS base rate by 0.25 percentage point for the rate year beginning in 2010. CR6986 implements this requirement for RY 2011. **Note:** CR6986 reduces the update to the IPF PPS base rate by 0.25 percent (0.25 percent) for rate year 2011.
- Starting with the RY 2010 federal per diem base rate of \$651.76 and applying the market basket increase of 2.4 percent, with the "Other Adjustment" of -0.25 percent, and the wage index budget neutrality factor of 0.9999 yields a **federal per diem base rate of \$665.71 for RY 2011.**

- Similarly, applying the market basket increase with the “Other Adjustment,” and the wage index budget neutrality factor to the RY 2010 electroconvulsive therapy (ECT) rate yields an ECT rate of \$286.60 for RY 2011.

PRICER Updates

- For IPF PPS RY 2011, the following are effective for discharges on July 1, 2010, through June 30, 2011:
 - The federal per diem base rate is \$665.71;
 - The fixed dollar loss threshold amount is \$6,372.00;
 - The IPF PPS will use the FY 2010 unadjusted pre-floor, pre-reclassified hospital wage index;
 - The labor-related share is 75.400 percent;
 - The non-labor related share is 24.600 percent; and
 - The ECT rate is \$286.60.

Cost to Charge Ratios (CCR)

- The National Urban and Rural Cost to CCR for the IPF PPS RY 2011 are displayed in the following table:

Cost to Charge Ratio	Median	Ceiling
Urban	0.5170	1.7377
Rural	0.6480	1.7383

- CMS is applying the national median CCRs to the following situations:
 - For new IPFs that have not yet submitted their first Medicare cost report, the national median is applied. For new facilities, 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 Medicare FI or A/B MAC obtains inaccurate or incomplete data with which to calculate either an operating or capital CCR or both.

Medicare Severity Diagnosis Related Groups (MS-DRGs) Update

- The code set and adjustment factors are unchanged for RY 2011.

Background

- 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).
 - CMS is required to make updates to this PPS annually.
 - The RY update is effective July 1 - June 30, and the MS-DRGs and International Classification of Diseases, 9th Revision, Clinical Modification codes are updated on October 1 of each year.
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**Operational
Impact**N/A

**Reference
Materials**

The related MLN Matters® article can be found at <http://www.cms.gov/MLN MattersArticles/downloads/MM6986.pdf> on the CMS website.

The official instruction (CR6986) regarding this change may be viewed at <http://www.cms.gov/Transmittals/downloads/R1981CP.pdf> on the CMS website.

The applicable previous year update is detailed in MLN Matters® article MM6461 and may be reviewed at <http://www.cms.hhs.gov/MLN MattersArticles/downloads/MM6461.pdf> on the CMS website.
