



Related MLN Matters Article #: MM3678

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Further Information Related to Inpatient Psychiatric Facility (IPF) Prospective Payment System (PPS)

Key Words

IPF, PPS, CR 3678, MM 3678, CR3541, MM 3541, Labor-rated, ECT, Cola, Outlier, ADC, CAH, 43 CFR, Part 403, ICDM, 92.21, 92.29, 99.25, V58, V58.1, V461, V4611, V4612, PS&R, Psychiatric, Inpatient

Provider Types Affected

Inpatient Psychiatric Facilities (IPFs) billing Medicare Fiscal Intermediaries (FIs) for services paid under the IPF Prospective Payment System (PPS)

Key Points

- The effective date of the instruction is the cost reporting periods beginning on or after January 1, 2005.
- The implementation date is April 4, 2006.
- CR3678 clarifies recent questions the Centers for Medicare & Medicaid Services (CMS) received from IPFs and the Medicare FIs that process their Medicare claims, but it does not replace CR3541.
- CMS will be issuing a Correction Notice to the Inpatient Psychiatric Facility Prospective Payment System final rule (Volume 69, Number 219, page 66922) to make technical corrections.
- The technical corrections will include the following clarifications:

Labor-Related Share

- There is an inconsistency in the labor-related share between portions of the final rule and CR 3541, published December 1, 2004.
- The current labor-related share is **0.72247**.

Teaching Status Adjustment

- Teaching facilities will receive an adjustment that is measured as one plus the ratio of interns and residents to the Average Daily Census (ADC), the sum of which is raised to the power of 0.5150.
- The number of interns and residents is capped at the level indicated on the latest cost report submitted by the IPF prior to November 15, 2004.

Calculating the Electroconvulsive Therapy (ECT) Payment

- The ECT amount of \$247.96 is subject to COLA and wage adjustments.
- To calculate the adjusted amount:
 - Multiply \$247.96 by the labor share (0.72247) and by the area wage index.
 - Then multiply \$247.96 by the non-labor share (0.27753) and by any applicable COLA. The sum of these two products is the adjusted per-treatment ECT amount.
 - Multiply the amount by the number of ECT occurrences and add it to the Federal per diem payment to compute the total PPS payment.
- The ECT amount itself does not receive any facility or patient level adjustments; it is added to the Federal per diem payment after those adjustments have been applied.
- ECT payments and charges are taken into account when calculating the outlier threshold and outlier payment.

Calculating Outlier Payments

- The following is how Medicare calculates outlier payments under the IPF PPS:

Calculate the Adjusted Fixed Dollar Loss Threshold

- Threshold amount = \$5,700.
- Multiply the threshold amount by the labor share (0.72247) and the area wage index.
- Multiply the threshold amount by the non-labor share (0.27753) and any applicable COLA (Alaska or Hawaii).
- Add these two products and then multiply by any applicable facility-level adjustments (teaching, rural); and
- Add this amount to the sum of the federal per diem payment and ECT payment to obtain the adjusted threshold amount.

Calculate Eligible Outlier Costs

- Multiply reported hospital charges by the cost-to-charge ratio to calculate cost.
- Subtract the adjusted threshold amount from the cost. This is the amount subject to outlier payments.
- Divide this amount by the length of stay to calculate the per diem outlier amount.
- For days 1 through 9, multiply this per diem outlier amount by 0.80.
- For day 10 and thereafter, multiply the per diem outlier amount by 0.60.
- The sum of these two amounts is the total outlier payment.

Additional Clarifications

- The effective date of the system is for discharges (or "through" dates for interim bills) occurring during cost reporting periods beginning on or after January 1, 2005.

- Although the IPF PPS new payment system is effective January 1, 2005, transition is based on a providers' cost reporting year. IPF providers will begin the new IPF PPS system at the beginning of their new cost reporting period.
- If an IPF provider has their cost reporting period starting on October 1, 2005, then October 1, 2005 will be:
 - The beginning date of their first transition year to the IPF PPS; and
 - The date that they begin billing under the new IPF PPS system.
- If an IPF provider has their cost reporting period starting on January 1, 2005, then January 1, 2005 will be:
 - The beginning date they will begin billing under the new IPF PPS; and
 - The beginning date of their first transition year.
- CMS has received a number of questions concerning what is considered a "new IPF," and will be issuing additional guidance shortly regarding what constitutes a new IPF.
- Providers should notify their FI 30 days prior to the start of the provider's fiscal year, if they believe they are entitled to the Emergency Department (ED) adjustment, to determine if their FI requires additional information or documentation. However, providers whose cost reporting periods began January 1, 2005 through March 1, 2005 should have contacted their FI on this issue prior to March 7, 2005.
- Psychiatric units of Critical Access Hospitals (CAHs) are reimbursed under the IPF PPS. In CR3541, dated December 1, 2004, under the heading, "Affected Medicare Providers," the second bulleted paragraph contained an error. **The paragraph should read as follows:**

"Veterans Administration Hospitals, hospitals that are reimbursed under State cost control system approved under 42 CFR Part 403, hospitals that are reimbursed in accordance with demonstration projects authorized under §402(a) of Public Law 90-248 (42 U.S.C. 1395b-1) or §222(a) of Public Law 92-603 (42 U.S.C. 1395b-1), and nonparticipating hospitals furnishing emergency services to Medicare beneficiaries are not included in the IPF PPS. Payment to foreign hospitals will be made in accordance with the provisions set forth in §413.74 of the regulation. See §412.22(c)."
- CMS will be providing guidance on the National Cost to Charge Ratios which will be established using the most current IPF data available. The provider specific file required to calculate the national cost to charge ratios is under development.
- Age adjustment is determined as of admission date.
- Code First Chart (page 6 of CR 3541). The last row containing code 320.7 should be deleted. CMS is including a table (See Attachment 1 of CR 3678, the official instruction issued to the intermediary), that shows what adjustment factors apply. The Code First example provided on page 7 of CR 3541 was in error and a corrected example may be found on pages 4 and 5 of CR 3678.
- The ICD-9-CM procedure codes for oncology treatments are 92.21 through 92.29 and 99.25.
- Comorbidity chart (page 7 of CR 3541) should have reflected the following:
 - Oncology Treatment, 1400 through 2399 with a radiation therapy or chemotherapy code 92.21-92.29 or 99.25, instead of V58 or V58.1.

- Chronic Obstructive Pulmonary Disease, delete code V461 and add codes V4611 and V4612.
- For IPFs that are distinct part psychiatric units, Total Medicare inpatient routine charges will be obtained from the PS&R report associated with the latest settled cost report. If PS&R data is not available:
 - Estimate Medicare routine charges estimated by dividing Medicare routine costs on Worksheet D-1, Part II, line 41, by the result of Worksheet C, Part I, line 31, column 3 divided by line 31, column 6.
 - Add this amount to Medicare ancillary charges on Worksheet D-4, column 2, line 103 to arrive at total Medicare charges.
- To calculate the total Medicare costs for distinct part units, data will be obtained from Worksheet D-1, Part II, line 49 minus (Worksheet D, part III, column 8, line 31 plus Worksheet D, Part IV, column 7, line 101). All references to worksheet and specific line numbers should correspond with the sub-provider, identified as the IPF unit that is the letter "S" or "M" in the third position of the Medicare provider number.
- Divide the total Medicare costs by the total Medicare charges to compute the cost-to-charge ratio.

Important Links

<http://www.cms.hhs.gov/MLNMattersArticles/downloads/MM3678.pdf>

<http://www.cms.hhs.gov/Transmittals/downloads/R444CP.pdf>

<http://www.cms.hhs.gov/MLNMattersArticles/downloads/MM3541.pdf>

<http://www.cms.hhs.gov/Transmittals/downloads/R384CP.pdf>