

**Final Inpatient Psychiatric Facility (IPF) Prospective Payment System (PPS)  
Fact Sheet**

1. The final IPF PPS was developed using regression analysis on data obtained from the 2002 cost report file and 2002 MEDPAR data for IPF stays. The effective date for implementing IPF PPS is for cost reporting periods beginning on or after January 1, 2005.
2. The Final **Federal Per Diem Base Rate** is **\$575.95**

<b>Labor Share</b>	0.72247	\$416.11
<b>Non-Labor Share</b>	0.27753	\$159.84

3. The base rate is then adjusted by the appropriate adjustments.

**Patient Characteristic: Age Adjustment**

<b>Under 45</b>	1.00
<b>45 and under 50</b>	1.01
<b>50 and under 55</b>	1.02
<b>55 and under 60</b>	1.04
<b>60 and under 65</b>	1.07
<b>65 and under 70</b>	1.10
<b>70 and under 75</b>	1.13
<b>75 and under 80</b>	1.15
<b>80 and over</b>	1.17

**Patient Characteristic: DRGs-** One of 15 DRGs based on principle diagnosis

<b>Procedure with principal diagnosis of mental illness</b>	DRG 424	1.22
<b>Acute adjustment reaction</b>	DRG 425	1.05
<b>Depressive neurosis</b>	DRG 426	0.99
<b>Neurosis, except depressive</b>	DRG 427	1.02
<b>Disorders of personality</b>	DRG 428	1.02
<b>Organic disturbances</b>	DRG 429	1.03
<b>Psychosis</b>	DRG 430	1.00
<b>Childhood disorders</b>	DRG 431	0.99
<b>Other mental disorders</b>	DRG 432	0.92
<b>Alcohol/Drug use Leave against Medical Advice (LAMA)</b>	DRG 433	0.97
<b>Alcohol/Drug use with comorbid conditions</b>	DRG 521	1.02
<b>Alcohol/Drug use without comorbid conditions</b>	DRG 522	0.98
<b>Alcohol/Drug use without rehabilitation</b>	DRG 523	0.88
<b>Degenerative nervous system disorders</b>	DRG 12	1.05
<b>Non-traumatic stupor &amp; coma</b>	DRG 023	1.07

**Patient Characteristic: Comorbidities** (17 possible groupings)

<b>Developmental Disabilities</b>	1.04
<b>Coagulation Factor Deficit</b>	1.13
<b>Tracheostomy</b>	1.06
<b>Eating and Conduct Disorders</b>	1.12
<b>Infectious Diseases</b>	1.07
<b>Renal Failure, Acute</b>	1.11
<b>Renal Failure, Chronic</b>	1.11
<b>Oncology Treatment</b>	1.07
<b>Uncontrolled Type I Diabetes Mellitus</b>	1.05
<b>Severe Protein Malnutrition</b>	1.13
<b>Drug/Alcohol Induced Mental Disorders</b>	1.03
<b>Cardiac Conditions</b>	1.11
<b>Gangrene</b>	1.10
<b>Chronic Obstructive Pulmonary Disease</b>	1.12
<b>Artificial Openings – Digestive &amp; Urinary</b>	1.08
<b>Musculoskeletal &amp; Connective Tissue Diseases</b>	1.09
<b>Poisoning</b>	1.11

**Patient Characteristic: Variable Per Diem Adjustments** to recognize the higher costs incurred in the early days of a psychiatric stay.

<b>Day 1 -- Facility Without a Full-service Emergency Department</b>	1.19
<b>Day 1 -- Facility With a Full-service Emergency Department</b>	1.31
<b>Day 2</b>	1.12
<b>Day 3</b>	1.08
<b>Day 4</b>	1.05
<b>Day 5</b>	1.04
<b>Day 6</b>	1.02
<b>Day 7</b>	1.01
<b>Day 8</b>	1.01
<b>Day 9</b>	1.00
<b>Day 10</b>	1.00
<b>Day 11</b>	0.99
<b>Day 12</b>	0.99
<b>Day 13</b>	0.99
<b>Day 14</b>	0.99
<b>Day 15</b>	0.98
<b>Day 16</b>	0.97
<b>Day 17</b>	0.97
<b>Day 18</b>	0.96
<b>Day 19</b>	0.95
<b>Day 20</b>	0.95
<b>Day 21</b>	0.95
<b>GT 21 Days</b>	0.92

**Patient Characteristic: Electroconvulsive Therapy (ECT)** adjustment based on the hospital OPPS cost amount for ECT.

ECT -- per treatment payment	\$247.96
------------------------------	----------

**Facility Characteristic: Rural Location –IPFs in rural areas receive a 17 percent adjustment.**

**Facility Characteristic: Teaching Adjustment:** Teaching adjustment is based on 1 plus the ratio of interns and residents to average daily census raised to the power of 0.5150. The number of interns and residents is capped at the level of the latest cost report prior to January 1, 2005.

**Facility Characteristic: Wage Index:**

Addendum B1 Pre-Reclassified Wage Index for Urban Areas  
Addendum B2 Wage Index for Rural Areas

**Facility Characteristic: COLA – Adjustment for Alaska and Hawaii**

Alaska	All areas	1.25
Hawaii		
	Honolulu County	1.25
	Hawaii County	1.165
	Kauai County	1.2325
	Maui County	1.2375
	Kalawao County	1.2375

4. Other Features of the IPS PPS are:

**Outlier Payments-** Total outlier payments set to equal **2%** of total IPF PPS payments with a fixed dollar loss amount of **\$5,700** and a declining risk-sharing ratio payable upon discharge.

Declining Risk Sharing Ratio	
Days 1-9	80%
Days over 9	60%

**Interrupted Stays-** A readmission to any IPF within 3 consecutive calendar days will be treated as a continuation of the original stay and the length of stay adjustments will be applied accordingly.

**Transition-** A 3-year blended transition period with Stop Loss provision, where the fourth year is 100% PPS

Transition Year	Cost-Based percent (TEFRA)	PPS percent
1	75%	25%
2	50%	50%
3	25%	75%
4	0%	100%

**Stop-Loss Payments** – During the Transition a guaranteed average payment per case no less than a 70 percent of the TEFRA payment.

The combined effects of the Transition and Stop-Loss would ensure per case payments relative to pre-IPF PPS TEFRA Payments are no less than

Transition Year	Percent of pre-IPF-PPS TEFRA payment
Year 1	92.5 %
Year 2	85 %
Year 3	77.5 %

**Impacts:** Government hospitals receive a **13 %** increase and all other classifications of facilities have no significant impact.

**Future Updates:**

- The first update will be effective for cost reporting periods beginning on or after July 1, 2006 so we can move the IPF PPS to a July 1 annual update cycle.
- We will update the Federal payment rate using the excluded hospital with capital market basket and apply the most recent hospital wage index that is budget neutral to the wage index it replaces.
- We will also adjust the outlier fixed dollar loss threshold.
- There will not be any update for adjustment factors until we have analyzed a complete year of data under the IPF PPS, i.e., no earlier than July 1, 2006 update.

**Patient Classification System:** Future refinements will reflect the results of studies currently in process.

**System Changes:** Use the existing inpatient DRG Grouper and develop new PRICER to apply IPF PPS adjustments. No changes required for IPF claims submission or current coding requirements.