



Inpatient Psychiatric Facilities Prospective Payment System (IPF PPS) Updates for Fiscal Year (FY) 2020

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Note: We revised this article on October 2, 2019, to reflect the revised CR 11420 issued on October 1. The revised CR did not impact the substance of the article. In the article, we revised the CR release date, transmittal number, and the web address of the CR. All other information remains the same.

PROVIDER TYPES AFFECTED

This MLN Matters Article is for physicians, providers, and suppliers billing Medicare Administrative Contractors (MACs) for inpatient psychiatric services provided to Medicare beneficiaries, which Medicare reimburses under the Inpatient Psychiatric Facilities Prospective Payment System (IPF PPS).

PROVIDER ACTION NEEDED

CR 11420 identifies changes that the Centers for Medicare & Medicaid Services (CMS) must make as part of the annual IPF PPS update established in the Medicare Program; FY 2020 Inpatient Psychiatric Facilities Prospective Payment System and Quality Reporting Updates for Fiscal Year Beginning October 1, 2019 (FY 2020) Final Rule. These changes are applicable to discharges occurring from October 1, 2019, through September 30, 2020 (FY 2020). Make sure your billing staffs are aware of these changes.

BACKGROUND

On November 15, 2004, CMS published in the Federal Register a final rule that established the IPF PPS under the Medicare program in accordance with provisions of Section 124 of Public Law 106-113, the Medicare, Medicaid and SCHIP Balanced Budget Refinement Act of 1999 (BBRA). Payments to IPFs under the IPF PPS are based on a federal per diem base rate which includes both inpatient operating and capital-related costs (including routine and ancillary services), but excludes certain pass-through costs (such as bad debts and graduate medical education). CMS must make annual updates to the IPF PPS. The FY 2020 changes which were implemented in the FY 2020 IPF PPS and Quality Reporting Updates final rule are:

Market Basket Update

Since the IPF PPS inception, CMS' Office of the Actuary periodically revises and rebases the IPF market basket to reflect more recent data on IPF cost structures. CMS last rebased and revised the market basket applicable to IPFs in the FY 2016 IPF PPS final rule, when CMS adopted a 2012-based IPF-specific market-basket. For FY 2020, CMS is using the 2016-based IPF-specific market basket to update the IPF PPS payments (that is, the Federal per diem base rate and Electroconvulsive Therapy (ECT) payment per treatment). The 2016-based IPF-specific market basket update for FY 2020 is 2.9 percent. However, this 2.9 percent is subject to two reductions required by the Social Security Act (the Act), as described below.

Section 1886(s)(2)(A)(ii) of the Act requires the application of an "other adjustment" that reduces any update to the IPF market basket update by percentages specified in Section 1886(s)(3) of the Act for Rate Year (RY) beginning in 2010 through the RY beginning in 2019. For the FY beginning in 2019 (that is, FY 2020), Section 1886(s)(3)(E) of the Act requires the reduction to be 0.75 percentage point.

Also, Section 1886(s)(2)(A)(i) of the Act requires the application of the "productivity adjustment" described in Section 1886(b)(3)(B)(xi)(II) of the Act to the IPF PPS for the RY beginning in 2012 (that is, an RY that coincides with an FY), and each subsequent RY. For the FY beginning in 2019 (that is, FY 2020), the reduction is 0.4 percentage point.

CMS updated the IPF PPS base rate for FY 2020 by applying the adjusted market basket update of 1.75 percent (which includes the 2016-based IPF-specific market basket update of 2.9 percent, less the "other adjustment" of 0.75 percentage point, and less the productivity adjustment of 0.4 percentage point) and the wage index budget neutrality factor of 1.0026 to the FY 2019 Federal per diem base rate of \$782.78, yielding an FY 2020 Federal per diem base rate of \$798.55.

Similarly, applying the adjusted market basket update of 1.75 percent and the wage index budget neutrality factor of 1.0026 to the FY 2019 ECT payment per treatment of \$337.00 yields an ECT payment per treatment of \$343.79 for FY 2020.

FY 2020 Wage Index Update

CMS finalized a policy to remove the one-year lag of the wage index data by updating the IPF PPS wage index for FY 2020 with the concurrent wage data from the FY 2020 Inpatient Prospective Payment System (IPPS) wage index before reclassifications and other adjustments are taken into account, instead of using the FY 2019 IPPS wage index data. CMS is implementing changes to the wage index in a budget-neutral manner. Thus, there will not be an impact on aggregate Medicare payments to IPFs.

Also, on August 15, 2017, the Office of Management and Budget (OMB) announced in OMB Bulletin No. 17-01 that one Micropolitan Statistical Area now qualifies as a Metropolitan Statistical Area. The new urban Core-Based Statistical Area (CBSA) is Twin Falls, Idaho (CBSA 46300). This CBSA is comprised of the principal city of Twin Falls, Idaho in Jerome County, Idaho and Twin Falls County, Idaho. Prior to this re-designation, Jerome County and Twin Falls

County, Idaho were classified as rural. Currently, there is a single IPF in new CBSA 46300 (provider 13S002), which will lose its 17 percent rural adjustment as a result of being re-designated as urban.

The FY 2020 final IPF PPS wage index is available at <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientPsychFacilPPS/WageIndex.html>.

IPF Quality Reporting Program (IPFQR)

Section 1886(s)(4) of the Act requires the establishment of a quality data reporting program for the IPF PPS beginning in FY 2014. CMS finalized new requirements for quality reporting for IPFs in the “Hospital Inpatient Prospective Payment System for Acute Care Hospitals and the Long-Term Care Hospital Prospective Payment System and Fiscal Year 2013 Rates” Final Rule (August 31, 2012) (77 FR 53258, 53644 through 53360).

Section 1886(s)(4)(A)(i) of the Act requires that, for FY 2014 and each subsequent fiscal year, the Secretary shall reduce any annual update to a standard Federal rate for discharges occurring during the FY by two percentage points for any IPF that does not comply with the quality data submission requirements with respect to an applicable year. Therefore, a two-percentage point reduction is applied when calculating the Federal per diem base rate and the ECT payment per treatment as follows:

- The adjusted market basket update of 1.75 percent (which includes the 2016-based IPF-specific market basket update of 2.9 percent, less the “other adjustment” of 0.75 percentage point reduction to the market basket update, and less a required productivity adjustment reduction of 0.4 percentage point) is reduced by 2.0 percentage points, for a negative update of -0.25 percent for IPFs that failed to meet quality reporting requirements.
- For IPFs that failed to submit quality reporting data under the IPFQR program for FY 2020, the -0.25 percent update and the wage index budget neutrality factor of 1.0026 are applied to the FY 2019 Federal per diem base rate of \$782.78, yielding a Federal per diem base rate of \$782.85.
- Similarly, for IPFs that failed to submit quality reporting data under the IPFQR program for FY 2020, the -0.25 percent update and the wage index budget neutrality factor of 1.0026 are applied to the FY 2019 ECT payment per treatment of \$337.00, yielding a per treatment ECT payment of \$337.03 for FY 2020.

PRICER Updates: IPF PPS Fiscal Year 2020 (October 1, 2019 – September 30, 2020):

- The Federal per diem base rate is \$798.55 for IPFs that complied with quality data submission requirements.
- The Federal per diem base rate is \$782.85, when applying the two-percentage point reduction, for IPFs that failed to comply with quality data submission requirements.

- The fixed dollar loss threshold amount is \$14,960.
- The IPF PPS wage index is based on the FY 2020 pre-floor, pre-reclassified acute care hospital wage index.
- The labor-related share is 76.9 percent.
- The non-labor related share is 23.1 percent.
- The ECT payment per treatment is \$343.79 for IPFs that complied with quality data submission requirements.
- The ECT payment per treatment is \$337.03 when applying the two-percentage point reduction, for IPFs that failed to comply with quality data submission requirements.

The National Urban and Rural Cost to Charge Ratios (CCRs) for the IPF PPS Fiscal Year 2020

CCRs	Rural	Urban
National Median	0.5720	0.4370
National Ceiling	2.0239	1.7263

ICD-10 CM/PCS Updates

For FY 2020, the IPF PPS adjustment factors are unchanged from those used in FY 2019. However, CMS updated the ICD-10-CM/PCS code set, effective October 1, 2019. These updates affect the ICD-10-CM/PCS codes that underlie the IPF PPS MS-DRGs and the IPF PPS comorbidity categories. The updated FY 2020 MS-DRG code lists are available at <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/index.html>, and the updated FY 2020 IPF PPS comorbidity categories are available at <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientPsychFacilPPS/tools.html>. There were no changes from FY 2019 to FY 2020 to the IPF Code First list or the IPF ECT procedure code list.

COLA Adjustment

The IPF PPS Cost of Living Adjustment (COLA) factors list for FY 2020 was unchanged from FY 2019. The following table shows adjustments for Alaska and Hawaii.

Cost of Living Adjustments (COLAs)

Area	Cost of Living Adjustment Factor
Alaska - City of Anchorage and 80-kilometer (50-mile) radius by road	1.25
Alaska - City of Fairbanks and 80-kilometer (50-mile) radius by road	1.25
Alaska City of Juneau and 80-kilometer (50-mile) radius by road	1.25
Rest of Alaska	1.25
Hawaii - City and County of Honolulu	1.25
Hawaii - County of Hawaii	1.21
Hawaii - County of Kauai	1.25
Hawaii - County of Maui and County of Kalawao	1.25

Rural Adjustment

For FY 2020, IPFs designated as “rural” continue to receive a 17 percent rural adjustment.

ADDITIONAL INFORMATION

The official instruction, CR11420, issued to your MAC regarding this change is available at <https://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/2019Downloads/R4406CP.pdf>.

An attachment to CR11420 contains other tables that show variable per diem adjustments, age adjustments, DRG adjustments, and comorbidity adjustments.

If you have questions, your MACs may have more information. Find their website at <http://go.cms.gov/MAC-website-list>.

DOCUMENT HISTORY

Date of Change	Description
October 2, 2019	We revised the article to reflect the revised CR 11420 issued on October 1. The revised CR did not impact the substance of the article. In the article, we revised the CR release date, transmittal number, and the web address of the CR. All other information remains the same.
August 12, 2019	Initial article released.

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