



News Flash – The Affordable Care Act extend section 508 and special exception hospital reclassifications from October 1, 2009, through September 30, 2010. Effective April 1, 2010, section 3137(a) and 10317 also require removing section 508 and special exception wage data from the calculation of the reclassified wage index if doing so raises the reclassified wage index. All hospitals affected by sections 3137(a) and 10317 will be assigned an individual special wage index effective April 1, 2010. If the section 508 or special exception hospital's wage index applicable for the period beginning on October 1, 2009, and ending on March 31, 2010, is lower than for the period beginning on April 1, 2010, and ending on September 30, 2010, the hospital will be paid an additional amount that reflects the difference between the wage indices. The provision applies to both inpatient and outpatient hospital payments.

MLN Matters® Number: MM6986

Related Change Request (CR) #: 6986

Related CR Release Date: June 4, 2010

Effective Date: July 1, 2010

Related CR Transmittal #: R1981CP

Implementation Date: July 6, 2010

Note: This article was updated on December 6, 2012, to reflect current Web addresses. All other information remains unchanged.

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

Provider Types Affected

Providers submitting claims to Medicare Fiscal Intermediaries (FIs) or Part A/B Medicare Administrative Contractors (A/B MACs) for inpatient psychiatric services provided to Medicare beneficiaries and paid under the IPF PPS are affected.

Provider Action Needed

This article is based on Change Request (CR) 6986 which identifies changes that are required as part of the annual Inpatient Psychiatric Facilities Prospective Payment System (IPF PPS) update from the Rate Year (RY) 2011 IPF PPS update notice, published on April 30, 2010. These changes are applicable to IPF discharges occurring during the rate year July 1, 2010 through June 30, 2011, and this is the fifth RY update to the IPF PPS. The applicable previous year update is detailed in MLN Matters® article MM6461 and may be reviewed at

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<http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNMattersArticles/downloads/MM6461.pdf> on the Centers for Medicare & Medicaid Services (CMS) website. Make sure that your billing staff are aware of these IPF PPS changes.

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 prospective payment system annually. The RY update is effective July 1 - June 30, and the Medicare Severity Diagnosis Related Groups (MS-DRGs) and International Classification of Diseases, 9th Revision, Clinical Modification (ICD-9-CM) codes are updated on October 1 of each year.

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

Market Basket Update

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, and CR 6986 implements this requirement for RY 2011. See the Social Security Act (Section 1886(s)(3)(A);

http://www.ssa.gov/OP_Home/ssact/title18/1886.htm on the Internet), which was added by:

- The Affordable Care Act (Pub. L. 111-148; Sections 3401(f) amended by Section 10319(e); http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_bills&docid=f:h3590enr.txt.pdf on the Internet); and
- The Health Care and Education Reconciliation Act of 2010 (Pub. L. 111-152; Section 1105; <http://www.gpo.gov/fdsys/pkg/PLAW-111publ152/pdf/PLAW-111publ152.pdf> on the Internet).

Note: CR 6986 reduces the update to the IPF PPS base rate by 0.25 percent (0.25%) 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%, and

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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.
- The ECT rate is \$286.60.

Cost to Charge Ratios

The National Urban and Rural Cost to Charge Ratios (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:

- New IPFs that have not yet submitted their first Medicare cost report. 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.

MS-DRG Update

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

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Additional Information

Note: For the FY 2010 pre-floor, pre-reclassified hospital wage index, CMS is using the updated wage index and the wage index budget neutrality factor of 0.9999.

The official instruction, CR 6986, issued to your Medicare FI and A/B MAC regarding this change may be viewed at <http://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/downloads/R1981CP.pdf> on the CMS website.

If you have any questions, please contact your Medicare FI or A/B MAC at their toll-free number, which may be found at <http://www.cms.gov/Research-Statistics-Data-and-Systems/Monitoring-Programs/provider-compliance-interactive-map/index.html> on the CMS website.

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