

DEPARTMENT OF HEALTH AND HUMAN SERVICES
Centers for Medicare & Medicaid Services



News Flash – The 2013 ICD-10-PCS files have been posted on the [2013 ICD-10 PCS and GEMs](#) web page. This includes the 2013 Index and Tabular files, guidelines, code titles, addendum to reference manual, and slides. The 2013 ICD-10-PCS files contain information on the new procedure coding system, ICD-10-PCS, that is being developed as a replacement for ICD-9-CM, Volume 3. The 2013 General Equivalent Mappings (GEMs), Reimbursement Mappings, and Reference Manual will be posted at a later date.

MLN Matters® Number: MM8000

Related Change Request (CR) #: CR 8000

Related CR Release Date: August 17, 2012

Effective Date: October 1, 2012

Related CR Transmittal #: R2520CP

Implementation Date: October 1, 2012

Update-Inpatient Psychiatric Facilities Prospective Payment System (IPF PPS) Fiscal Year 2013

Provider Types Affected

This MLN Matters® Article is intended for providers who bill Medicare fiscal intermediaries (FI) or Part A Medicare Administrative Contractors (A MACs) for inpatient psychiatric services provided to Medicare beneficiaries and are paid under the Inpatient Psychiatric Facilities Prospective Payment System (IPF PPS).

Provider Action Needed

CR 8000, from which this article is taken, identifies changes that are required as part of the annual Inpatient Psychiatric Facilities Prospective Payment System (IPF PPS) update from the Fiscal Year (FY) 2013 IPF PPS update notice, published August 7, 2013. These changes are applicable to IPF discharges occurring during fiscal year October 1, 2012, through September 30, 2013.

Make sure that your billing staff is aware of these IPF PPS changes for FY 2013.

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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). The Centers for Medicare & Medicaid Services (CMS) is required to make updates to this prospective payment system annually.

CR 8000 identifies the required changes as part of the annual IPF PPS update from the IPF Prospective Payment System Fiscal Year 2013 Final Rule. These changes are applicable to IPF discharges occurring during the fiscal year October 1, 2012, through September 30, 2013.

Key Points of CR8000

Market Basket Update:

For FY 2013, the Centers for Medicare & Medicaid Services (CMS) used the FY 2008-based Rehabilitation, Psychiatric and Long Term Care (RPL) market basket to update the IPF PPS payment rates (that is the federal per diem and Electroconvulsive Therapy (ECT) base rates).

Section 1886(s)(2)(A)(ii) of the Social Security Act (or the Act), requires the application of an "Other Adjustment" that reduces any update to the IPF PPS base rate 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 RY beginning in 2012 (that is, FY 2013), section 1886(s)(3)(B) of the Act requires the reduction to be 0.1 percentage point. CMS is implementing that provision in this FY 2013 notice.

In addition, 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, a RY that coincides with a FY) and each subsequent RY. For the RY beginning in 2012 (that is FY 2013), the reduction is 0.7 percentage point. CMS is implementing that provision in this FY 2013 notice.

Specifically, CMS reduced the update to the IPF PPS base rate for FY 2013 by applying the adjusted market basket update of 1.9 percent (which includes the RPL market basket increase of 2.7 percent, an ACA required 0.1 percent reduction to the market basket update, and an ACA required productivity adjustment of 0.7 percent) and the wage index budget neutrality factor of 1.0007 to the RY 2012 Federal per diem base rate of \$685.01, which yields a Federal per diem base rate of \$698.51 for FY 2013. Similarly, applying the adjusted market basket update of 1.9 percent and the wage index budget neutrality factor of 1.0007 to the RY 2012 ECT rate of \$294.91 yields an ECT rate of \$300.72 for FY 2013.

PRICER Updates

- The Federal per diem base rate is \$698.51;
- The fixed dollar loss threshold amount is \$11,600.00;

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- The IPF PPS will use the FY 2012 unadjusted pre-floor, pre-reclassified hospital wage index;
- The labor-related share is 69.981 percent;
- The non-labor related share is 30.019 percent; and
- The ECT rate is \$300.72.

Cost to Charge Ratio for the IPF Prospective Payment System Fiscal Year 2013

Cost to Charge Ratio	Median	Ceiling
Urban	0.496	1.7072
Rural	0.622	1.9155

CMS is applying the national median Cost-to-Charge Ratios (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 fiscal intermediary 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 IPF Prospective Payment System Fiscal Year 2013.

FY 2010 Pre-floor, Pre-reclassified Hospital Wage Index

CMS is using the updated wage index and the wage index budget neutrality factor of 1.0007.

COLA Adjustment

The Office of Personal Management (OPM) began transitioning from cost of living adjustment (COLA) factors to a locality payment rate in FY 2010. The 2009 COLA factors were frozen in order to allow this transition. In order to provide a full COLA for Alaska and Hawaii, CMS is adopting the FY 2009 COLA rates obtained from the OPM Website (<http://www.opm.gov/oca/cola/rates.asp>). These are the same rates that were in effect for RY 2010, RY 2011 and RY 2012. The COLAs for Alaska and Hawaii are shown then as follows:

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Alaska	Cost of Living Adjustment Factor
City of Anchorage and 80-kilometer (50 mile) radius by road	1.23
City of Fairbanks and 80-kilometer (50 mile) radius by road	1.23
City of Juneau and 80-kilometer (50 mile) radius by road	1.23
Rest of Alaska	1.25

Hawaii	Cost of Living Adjustment Factor
City and County of Honolulu	1.25
County of Hawaii	1.18
County of Kauai	1.25
County of Maui and County of Kalawao	1.25

Additional Information

You can find more information about the FY 2013 update to the IPF PPS by going to CR 8000, located at <http://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/Downloads/R2520CP.pdf> on the CMS website.

In addition, the applicable previous year update is detailed in MLN Matters® article MM7367 and may be reviewed at <http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNMattersArticles/downloads/MM7367.pdf> on the CMS website.

If you have any questions, please contact your contractor 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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