

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



Revised product from the Medicare Learning Network®

- [“Medicare Claim Review Programs”](#) Booklet, (ICN 006973) Downloadable

MLN Matters® Number: MM9305

Related Change Request (CR) #: CR 9305

Related CR Release Date: August 21, 2015

Effective Date: October 1, 2015

Related CR Transmittal #: R3332CP

Implementation Date: October 5, 2015

## Update-Inpatient Psychiatric Facilities Prospective Payment System (IPF PPS) Fiscal Year (FY) 2016

### Provider Types Affected

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This MLN Matters® Article is intended for Inpatient Psychiatric Facilities (IPFs) who submit claims to Medicare Administrative Contractors (MACs) for services provided to Medicare beneficiaries and are paid under the IPF Prospective Payment System (PPS).

### Provider Action Needed

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Change Request (CR) 9305 identifies changes that are required as part of the annual IPF PPS update from the IPF Prospective Payment System Fiscal Year 2016 Final Rule, displayed on July 31, 2015. These changes are applicable to IPF discharges occurring during the fiscal year October 1, 2015, through September 30, 2016.

### Background

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On November 15, 2004, the Centers for Medicare & Medicaid Services (CMS) published in the Federal Register a final rule that established the prospective payment system for Inpatient Psychiatric Facilities (IPF) under the Medicare program in accordance with

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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 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.

### **Market Basket Update**

For FY 2016, CMS is using the newly adopted 2012-based IPF market basket to update the IPF PPS payments (that is, the Federal per diem base rate and Electroconvulsive Therapy (ECT) payment per treatment). The 2012-based IPF market basket update for FY 2016 is 2.4 percent. However, this 2.4 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 Social Security 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 FY beginning in 2019. For the FY beginning in 2015 (that is, FY 2016), section 1886(s)(3)(C) of the Act requires the reduction to be 0.2 percentage point. CMS implemented that provision in the FY 2016 IPF PPS Final Rule.

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, an RY that coincides with a FY), and each subsequent FY. For the FY beginning in 2015 (that is, FY 2016), the reduction is 0.5 percentage point. CMS implemented that provision in the FY 2016 IPF PPS Final Rule.

CMS updated the IPF PPS base rate for FY 2016 by applying the adjusted market basket update of 1.7 percent (which includes the 2012-based IPF market basket update of 2.4 percent, an Affordable Care Act required 0.2 percent reduction to the market basket update, and an Affordable Care Act required productivity adjustment reduction of 0.5 percent) and the wage index budget neutrality factor of 1.0041 to the FY 2015 Federal per diem base rate of \$728.31 to yield a FY 2016 Federal per diem base rate of \$743.73. Similarly, applying the adjusted market basket update of 1.7 percent and the wage index budget neutrality factor of 1.0041 to the FY 2015 ECT payment per treatment of \$313.55 yields an ECT payment per treatment of \$320.19 for FY 2016.

### **Inpatient Psychiatric Facilities 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

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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 to the Federal per diem base rate and the ECT payment per treatment as follows:

- For IPFs that fail to submit quality reporting data under the IPFQR program, a -0.3 percent annual update (a negative update consisting of 1.7 percent reduced by 2.0 percentage points in accordance with section 1886(s)(4)(A)(ii) of the Act) and the wage index budget neutrality factor of 1.0041 is applied to the FY 2015 Federal per diem base rate of \$728.31, yielding a Federal per diem base rate of \$729.10 for FY 2016.
- Similarly, a -0.3 percent annual update and the 1.0041 wage index budget neutrality factor is applied to the FY 2015 ECT payment per treatment of \$313.55, yielding an ECT payment per treatment of \$313.89 for FY 2016.

**PRICER Updates: IPF PPS Fiscal Year 2016 (October 1, 2015 – September 30, 2016):**

- The Federal per diem base rate is \$743.73 for IPFs that complied with quality data submission requirement
- The Federal per diem base rate is \$729.10 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 \$9,580.00.
- The IPF PPS wage index is based on the FY 2015 pre-floor, pre-reclassified acute care hospital wage index, which includes updated CBSA delineations from the Office of Management and Budget (OMB). Please see the section below entitled, “FY 2016 IPF PPS Wage Index,” for more details on the FY 2016 IPF PPS wage index.
- The labor-related share is 75.2 percent.
- The non-labor related share is 24.8 percent.

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- The ECT payment per treatment is \$320.19 for IPFs that complied with quality data submission requirements.
- The ECT payment per treatment is \$313.89 when applying the two percentage point reduction, for IPFs that failed to comply with quality data submission requirements.

### MS-DRG Update

The adjustment factors are unchanged for the FY 2016 IPF PPS. However, CMS adopted the ICD-10-CM/PCS code set as of October 1, 2015. Diagnosis codes were converted from ICD-9-CM/PCS to ICD-10-CM/PCS in the FY 2015 IPF PPS Final Rule, published August 06, 2014.

### FY 2016 IPF PPS Wage Index

The FY 2016 IPF PPS final rule adopts the most recent OMB statistical area delineations for use in determining the IPF PPS wage index. For FY 2016, CMS adopted these updated OMB CBSAs using a one-year transition with a blended wage index for all providers. The FY 2016 IPF PPS wage index for each provider consists of a blend of fifty percent of the FY 2015 wage index using the current OMB delineations and 50-percent FY 2015 wage index using the revised OMB delineations. The FY 2016 final IPF PPS transitional wage index is available at <http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientPsychFacilPPS/WageIndex.html> on the Internet.

### Cost to Charge Ratio for the IPF Prospective Payment System Fiscal Year 2016

Cost to Charge Ratio	Median	Ceiling
Urban	0.4650	1.7339
Rural	0.6220	1.9041

CMS is applying the national 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).

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- Other IPFs for whom the fiscal intermediary obtains inaccurate or incomplete data with which to calculate either an operating or capital CCR or both.

**COLA Adjustment for the IPF Prospective Payment System Fiscal Year 2016**

The Cost of Living Adjustment (COLA) factors are unchanged for Alaska and Hawaii for the FY 2016 IPF PPS as represented in the following table:

Area	Cost of Living Adjustment Factor
City of Anchorage, Alaska and 80-kilometer (50-mile) radius by road	1.23
City of Fairbanks, Alaska and 80-kilometer (50-mile) radius by road	1.23
City of Juneau, Alaska and 80-kilometer (50-mile) radius by road	1.23
Rest of Alaska	1.25
City and County of Honolulu, Hawaii	1.25
County of Hawaii	1.19
County of Kauai, Hawaii	1.25
Counties of Maui and Kalawao, Hawaii	1.25

**Rural Adjustment**

Due to the OMB CBSA changes, several rural IPFs will have their status changed to “urban” as of FY 2016. As a result, these rural IPFs will no longer be eligible for the 17 percent rural adjustment which is part of the IPF PPS. Rather than ending the adjustment abruptly, CMS is phasing out the adjustment for these providers over a three-year period. In FY 2016, the adjustment for these newly-urban providers is two-thirds of 17 percent, or 11.3 percent. For FY 2017, the adjustment for these providers will be one-third of 17 percent, or 5.7 percent. No rural adjustment will be given to these providers after FY 2017.

**Additional Information**

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The official instruction, CR 9305 issued to your MAC regarding this change is available at <http://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/Downloads/R3332CP.pdf> on the CMS website.

If you have any questions, please contact your MAC at their toll-free number. That number is available at <https://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNMattersArticles/index.html> under - How Does It Work.

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