

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



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Related Change Request (CR) #: CR 9732

Related CR Release Date: August 1, 2016

Effective Date: October 1, 2016

Related CR Transmittal #: R3575CP

Implementation October 3, 2016

Update-Inpatient Psychiatric Facilities Prospective Payment System (IPF PPS) Fiscal Year (FY) 2017

Provider Types Affected

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

What You Need to Know

Change Request (CR) 9732 identifies changes required as part of the annual IPF PPS update from the FY 2017 IPF PPS Notice displayed on July 28, 2016. These changes are applicable to IPF discharges occurring from October 1, 2016, through September 30, 2017. In addition, CR9732 removes two ICD-10 PCS Electroconvulsive Therapy (ECT) codes, GZB1ZZZ and GZB3ZZZ, in accordance with Nation Coverage Determination (NCD) 160.25. Make sure your billing staffs are aware of these IPF PPS changes for FY 2017.

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 (bad debts, and graduate medical education). The Centers for Medicare & Medicaid Services (CMS) is required to make updates to this prospective payment system annually.

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CR9732 identifies changes required by the annual IPF PPS update from the IPF PPS FY 2017 Notice. These changes are applicable to IPF discharges occurring during the FY October 1, 2016, through September 30, 2017.

Key Points of CR9732

Market Basket Update

For FY 2017, CMS is using the 2012-based IPF market basket to update the IPF PPS payments (that is, the Federal per diem base rate and ECT payment per treatment). The 2012-based IPF market basket update for FY 2017 is 2.8 percent. However, this 2.8 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

(http://www.ssa.gov/OP_Home/ssact/title18/1886.htm) 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 2016 (that is, FY 2017), Section 1886(s)(3)(C) of the Act requires the reduction to be 0.2 percentage point. CMS implemented that provision in the FY 2017 IPF PPS Notice.

In addition, the Act Section 1886(s)(2)(A)(i) requires the application of the Productivity Adjustment described in the Act (Section 1886(b)(3)(B)(xi)(II)) to the IPF PPS for the RY beginning in 2012 (that is, a RY that coincides with a FY), and each subsequent FY. For the FY beginning in 2016 (that is, FY 2017), the reduction is 0.3 percentage point. CMS implemented that provision in the FY 2017 IPF PPS Notice.

Specifically, CMS updated the IPF PPS base rate for FY 2017 by applying the adjusted market basket update of 2.3 percent (which includes the 2012-based IPF market basket update of 2.8 percent, the required 0.2 percentage point “other adjustment” reduction to the market basket update, and the required productivity adjustment reduction of 0.3 percentage point) and the wage index budget neutrality factor of 1.0007 to the FY 2016 Federal per diem base rate of \$743.73 to yield a FY 2017 Federal per diem base rate of \$761.37. Similarly, applying the adjusted market basket update of 2.3 percent and the wage index budget neutrality factor of 1.0007 to the FY 2016 ECT payment per treatment of \$320.19 yields an ECT payment per treatment of \$327.78 for FY 2017.

IPF Quality Reporting Program (IPFOR)

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 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 of Health and Human Services reduce any annual update to a standard

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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, CMS applies a two percentage point reduction 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, CMS applies a 0.3 percent annual update (an update consisting of 2.3 percent reduced by 2.0 percentage points) and the wage index budget neutrality factor of 1.0007 to the FY 2016 Federal per diem base rate of \$743.73, yielding a Federal per diem base rate of \$746.48 for FY 2017.
- Similarly, CMS applies a 0.3 percent annual update and the 1.0007 wage index budget neutrality factor to the FY 2016 ECT payment per treatment of \$320.19, yielding an ECT payment per treatment of \$321.38 for FY 2017.

IPF PPS Pricer Updates for FY 2017

- The Federal per diem base rate is \$761.37 for IPFs complying with quality data submission requirements.
- The Federal per diem base rate is \$746.48 for IPFs that do not comply with quality data submission requirements.
- The fixed dollar loss threshold amount is \$10,120.00.
- The IPF PPS wage index is based on the FY 2016 pre-floor, pre-reclassified acute care hospital wage index.
- The labor-related share is 75.1 percent.
- The non-labor related share is 24.9 percent.
- The ECT payment per treatment is \$327.78 for IPFs that complied with quality data submission requirements.
- The ECT payment per treatment is \$321.38 for IPFs that failed to comply with quality data submission requirements.

Cost-to-Charge Ratios (CCR) for the IPF PPS FY 2017

Cost to Charge Ratios	Median	Ceiling
Urban	0.4455	1.6374
Rural	0.5960	1.9315

CMS is applying the national 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 MAC obtains inaccurate or incomplete data with which to calculate either an operating or capital CCR or both.

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IPF PPS ICD-10 CM/PCS Updates

The adjustment factors are unchanged for the FY 2017 IPF PPS. However, CMS updated the ICD-10-CM/PCS code set as of October 1, 2016. These updates affected the ICD-10-CM/PCS codes which underlie the IPF PPS MS-DRG categories and the IPF PPS comorbidity categories. The updated FY 2017 IPF PPS comorbidity categories and code first lists are available at <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientPsychFacilPPS/tools.html>.

FY 2017 IPF PPS Wage Index

The FY 2017 final IPF PPS wage index is available online at: <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientPsychFacilPPS/WageIndex.html>. This FY 2017 IPF PPS final wage index fully incorporates the Office of Management and Budget statistical area delineations that were adopted in the FY 2016 IPF PPS transitional wage index.

Cost Of Living (COLA) Adjustment for the IPF PPS 2017

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	1.19
County of Kauai	1.25
County of Maui and County of Kalawao	1.25

Rural Adjustment

Due to the Office of Management and Budget (OMB) Core Based Statistical Area (CBSA) changes implemented in FY 2016, several rural IPFs had their status changed to “urban” as of FY 2016. As a result, these rural IPFs were no longer eligible for the IPF PPS 17 percent rural adjustment. Rather than ending the adjustment abruptly, CMS is phasing out the adjustment for these providers over a three year period.

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- 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

The official instruction, CR9732 issued to your MAC regarding this change is available at <https://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/Downloads/R3575CP.pdf>.

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

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