



## Medicare Inpatient Psychiatric Facility Prospective Payment System (IPF PPS) Fact Sheet Available

The downloadable version of the IPF PPS Fact Sheet, which has been revised to include information about the Rate Year 2008 updates, is now available at <http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNProducts/downloads/InpatientPsychFac.pdf> on the CMS website. The fact sheet also provides general information about the IPF PPS and how payment rates are set.

MLN Matters Number: MM5619

Related Change Request (CR) #: 5619

Related CR Release Date: May 25, 2007

Effective Date: July 1, 2007 and later discharges

Related CR Transmittal #: R1256CP

Implementation Date: July 2, 2007

## Update to the Inpatient Psychiatric Facility Prospective Payment System (IPF PPS) for Rate Year (RY) 2008

**Note:** This article was updated on June 15, 2013, to reflect current Web addresses. All other information remains unchanged.

### 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.

### Provider Action Needed



#### STOP – Impact to You

This article is based on Change Request (CR) 5619 which provides changes required as part of the annual IPF PPS update for RY 2008.



#### CAUTION – What You Need to Know

These changes include the market basket update, Federal per diem base rate update, electroconvulsive therapy update, and Pricer update for the 2008 rate year (RY).



#### GO – What You Need to Do

See the Background and Additional Information Sections of this article

#### Disclaimer

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for further details regarding these changes.

## Background

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On November 15, 2004, the Centers for Medicare & Medicaid Services (CMS) published in the Federal Register ([http://www.access.gpo.gov/su\\_docs/fedreg/a041115c.html](http://www.access.gpo.gov/su_docs/fedreg/a041115c.html)) a final rule that established the prospective payment system for Inpatient Psychiatric Facilities (IPF) under the Medicare program in accordance with provisions of Section 124 of Public Law 106-113, the Medicare, Medicaid and SCHIP Balance Budget Refinement Act of 1999 (BBRA).

Payments to Inpatient Psychiatric Facilities (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 IPF PPS annually. In addition, the Rate Year (RY) update is effective July 1- June 30 of each year, while the Diagnosis Related Groups (DRGs) and International Classification of Diseases, Ninth Revision, Clinical Modification (ICD-9-CM) codes are updated on October 1 of each year

CR5619 identifies changes that are required as part of the annual IPF PPS update from the RY 2008 IPF PPS update notice, published on May 4, 2007. These changes are applicable to IPF discharges occurring during the RY beginning on July 1, 2007, through June 30, 2008, and the changes are as follows:

### ***1. Market Basket Update:***

CMS uses the **Rehabilitation/Psychiatric/Long-Term Care (RPL)** market basket to update the IPF PPS portion of the blended payment rate (that is the Federal per diem base rate). The 2002 excluded hospital market basket is used to update the cost-based portion (Tax Equity and Fiscal Responsibility Act of 1982-(TEFRA)), effective for cost reports periods beginning on or after October 1 of each year and is applied to the TEFRA target amount.

### ***2. PRICER Updates:***

The PRICER updates are as follows:

- The Federal per diem base rate is **\$614.99**.
- The fixed dollar loss threshold amount is **\$6,488.00**.

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- The IPF PPS transition blend percentage for cost reporting periods beginning on or after January 1, 2007, but before January 1, 2008, is **75 percent PPS and 25 percent TEFRA**. The transition blend percentage for cost reporting periods beginning on or after January 1, 2008 is 100 percent PPS.
- The IPF PPS will use the FY 2007 unadjusted pre-floor, pre-reclassified hospital wage index.
- The labor-related share is **75.788 percent**.
- The non-labor related share is **24.212 percent**.
- The electroconvulsive therapy (ECT) rate is **\$264.77**.

### ***3. Payment Rate:***

These rates for RY 2008 were published in the final rule and can also be found on the IPF PPS website at <http://www.cms.gov/InpatientPsychFacilPPS>.

<b>Federal Per Diem Base Rate</b>	\$614.99
<b>Labor Share (0.75788)</b>	\$466.09
<b>Non-Labor Share (0.24212)</b>	\$148.90

**Table 1. Federal Per Diem Rate**

### ***4. ECT Update:***

The update methodology for the ECT rate is to update the previous rate year's amount by the market basket increase and wage index budget neutrality factor. The ECT adjustment per treatment is **\$264.77** for RY 2008.

### ***5. DRG Adjustment and Comorbidity Updates:***

There are **no changes** to the DRG adjustment factors or the comorbidity adjustment factors for RY 2008.

### ***6. The National Urban and Rural Cost to Charge Ratios (CCRs) for the IPF PPS RY 2008:***

<b>Cost to Charge Ratio</b>	<b>Median</b>	<b>Ceiling</b>
<b>Urban</b>	0.55	1.7947
<b>Rural</b>	0.71	1.7255

**Table 2. National Urban and Rural CCRs**

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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 FI or A/B MAC obtains inaccurate or incomplete data with which to calculate either an operating or capital CCR or both.

### ***7. Updated Methodology for computing CCRs for the IPF PPS RY 2008:***

**For IPFs that are distinct part psychiatric units**, total Medicare inpatient routine and ancillary charges will be obtained from Worksheet D-4, column 2, line 31 (or appropriate subscript), plus line 103. To calculate the total Medicare costs for distinct part units, data will be obtained from Worksheet D-1, Part II, line 49 minus (Worksheet D, part III, column 8, line 31 plus Worksheet D, Part IV, column 7, line 101). All references to Worksheet and specific line numbers should correspond with the subprovider identified as the IPF unit that is the letter "S" or "M" in the third position of the Medicare provider number. Divide the total Medicare costs by the total Medicare charges to compute the cost-to-charge ratio.

**For IPFs that are psychiatric hospitals**, Medicare charges will be obtained from Worksheet D-4, column 2, lines 25 through 30, plus line 103 from the cost report. Medicare costs will be obtained from worksheet D-1, Part II, line 49, minus (Worksheet D, Part III, column 8, lines 25 through 30, plus Worksheet D, Part IV, column 7, line 101). Divide the Medicare costs by the Medicare charges to compute the CCR.

### ***8. Cost of Living Adjustment (COLA) Updates:***

The IPF PPS will apply a COLA to the non-labor related portion of the Federal per diem base rate and ECT rate for IPFs in Alaska and Hawaii. The RY 2008 values for these COLAs is as follows:

- Alaska:
  - For the cities of Anchorage, Fairbanks, and Juneau, including an 80-kilometer (50-mile) radius by road for each of these cities, the COLA factor is 1.24.
  - For the rest of Alaska, the COLA factor is 1.25.

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- Hawaii:
  - For the city and county of Honolulu and the counties of, Kalawao, Kauai, and Maui, the COLA factor is 1.25.
  - For the rest of Hawaii, the factor is 1.17.

## Additional Information

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The official instruction, CR5619, issued to your FI and A/B MAC regarding this change may be viewed at <http://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/downloads/R1256CP.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 on the CMS website 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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