



News Flash - The revised *Inpatient Psychiatric Facility Prospective Payment System Fact Sheet* (May 2008), which provides general information about the Inpatient Psychiatric Facility Prospective Payment System (IPF PPS), how payment rates are set, and the Rate Year 2009 update to the IPF PPS, is now available in downloadable format from the Centers for Medicare & Medicaid Services Medicare Learning Network at <http://www.cms.hhs.gov/MLNProducts/downloads/InpatientPsychFac.pdf> on the Centers for Medicare & Medicaid Services website.

MLN Matters Number: MM6077

Related Change Request (CR) #: 6077

Related CR Release Date: June 27, 2008

Effective Date: July 1, 2008

Related CR Transmittal #: R1543CP

Implementation Date: July 7, 2008

Update-Inpatient Psychiatric Facilities Prospective Payment System (IPF PPS) Rate Year 2009

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

What You Need to Know

Change Request (CR) 6077, 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 for RY 2009. These changes include the market basket update, Pricer updates for IPF PPS rate year (RY) 2009, (July 1, 2008 – June 30, 2009), the stop-loss provision, the electroconvulsive therapy (ECT) update, the payment rate, the national urban and rural cost to charge ratios (CCRs) for the IPF PPS RY 2008, the MS DRG update, and the cost-of-living adjustment (COLA) for Alaska and Hawaii.

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These changes are effective July 1, 2008, and are applicable to IPF discharges occurring during the rate year beginning on July 1, 2008, through June 30, 2009.

In addition, CR 6077 corrects the IPF PPS Pricer to include diagnosis code 07070 (Viral Hepatitis C without Hepatic Coma) in calculating a comorbidity adjustment for claims with discharge dates on or after January 1, 2005 through June 30, 2006.

Make sure that your billing staffs are aware of these IPF PPS changes.

Background

Under the IPF PPS, payments to inpatient psychiatric facilities 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 update this IPF PPS annually. The Rate Year (RY) update is effective July 1 - June 30 of each year and the Medicare Severity Diagnosis Related Groups (MS-DRG) and International Classification of Diseases, Ninth Revision, Clinical Modification (ICD-9-CM) codes are updated on October 1 of each year.

CR 6077, from which this article is taken, identifies changes that are required as part of the annual IPF PPS update from the RY 2009 IPF PPS update notice, published on May 7, 2008. These changes, which are applicable to IPF discharges occurring during the rate year beginning on July 1, 2008, through June 30, 2009, are presented below.

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).

PRICER Updates: For IPF PPS Rate Year (RY) 2009, (July 1, 2008 – June 30, 2009)

The PRICER updates are as follows:

- The Federal per diem base rate is **\$637.78**;
- The fixed dollar loss threshold amount is **\$6,113.00**;
- The transition from TEFRA to PPS ends in 2008. For cost reporting periods beginning on or after January 1, 2008, payments will be **100% PPS**;
- The IPF PPS will use the FY 2008 unadjusted pre-floor, pre-reclassified hospital wage index;

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- The labor-related share is 75.631%;
- The non-labor related share is 24.369%; and
- The electroconvulsive therapy (ECT) rate is \$274.58.

Stop-Loss Provision

To ensure that an IPF's total PPS payments were no less than a minimum percentage of their TEFRA payment (had the IPF PPS not been implemented), CMS provided a stop-loss payment during the transition from cost-based reimbursement to the per diem payment system. Since the transition will be completed for RY 2009, for cost reporting periods beginning on or after January 1, 2008, IPFs will be paid 100% IPF PPS and, therefore, the stop loss provision will no longer be applicable, and the 0.39% adjustment to the Federal per diem base rate will be removed. Therefore, for RY 2009, the Federal per diem base rate and ECT rates will be increased by 0.39%. The rates published in CR 6077 include this increase.

Electroconvulsive Therapy (ECT) Update

The update methodology for the ECT rate is to update the previous rate year's amount by the market basket increase, wage index budget neutrality factor and stop-loss premium removal. For RY 2009, the ECT adjustment per treatment is \$274.58.

Payment Rate

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 RY 2009 rates (displayed in Table 1, below) were published in the update notice and can also be found at <http://www.cms.hhs.gov/InpatientPsychFacilPPS> on the CMS website.

Table 1
RY2009 IPF PPS Per Diem Rate

Federal Per Diem Base Rate	\$637.78
Labor Share (0.75631)	\$482.36
Non-Labor Share (0.24369)	\$155.42

The National Urban and Rural Cost to Charge Ratios (CCR) for the IPF PPS RY 2009

Table 2 below displays the CCRs for RY 2009.

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Table 2

Cost to Charge Ratio	Median	Ceiling
Urban	0.537	1.6724
Rural	0.686	1.8041

Please note that the national median CCRs are being applied to the following situations:

- New IPFs that have not yet submitted their first Medicare cost report.
For new facilities, these national ratios will be used 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.
- 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

Since the IPF PPS uses the same GROUPER as the inpatient prospective payment system (IPPS) (including the same diagnostic code set and DRG classification system), the IPF PPS is adopting IPPS' new MS-DRG coding system in order to maintain that consistency. The updated codes are effective October 1 of each year. Although the code set is being updated, note these are the same adjustment factors that have been in place since implementation.

Based on changes to the IPPS, the following changes are being made to the principal diagnosis DRGs under the IPF PPS. Table 3, below, displays the crosswalk of current DRGs to the new MS-DRGs which were effective October 1, 2007:

Table 3
DRG to MS-DRG Crosswalk
Effective October 1, 2007

(v24) DRG Prior to 10/01/07	(v25) MS-DRG After 10/01/07	MS-DRG Descriptions	Adjustment Factor
12	056 057	Degenerative nervous system disorders w MCC Degenerative nervous system disorders w/o MCC	1.05
023	080 081	Nontraumatic stupor & coma w MCC Nontraumatic stupor & coma w/o MCC	1.07

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(v24) DRG Prior to 10/01/07	(v25) MS-DRG After 10/01/07	MS-DRG Descriptions	Adjustment Factor
424	876	O.R. procedure w principal diagnoses of mental illness	1.22
425	880	Acute adjustment reaction & psychosocial dysfunction	1.05
426	881	Depressive neuroses	0.99
427	882	Neuroses except depressive	1.02
428	883	Disorders of personality & impulse control	1.02
429	884	Organic disturbances & mental retardation	1.03
430	885	Psychoses	1.00
431	886	Behavioral & developmental disorders	0.99
432	887	Other mental disorder diagnoses	0.92
433	894	Alcohol/drug abuse or dependence, left AMA	0.97
521- 522	895	Alcohol/drug abuse or dependence w rehabilitation therapy	1.02
523	896	Alcohol/drug abuse or dependence w/o rehabilitation therapy w MCC	0.88
	897	Alcohol/drug abuse or dependence w/o rehabilitation therapy w/o MCC	

Issue Unrelated to the RY 2009 IPF PPS Update

In addition to the aforementioned RY 2009 updates, CMS identified an error within the IPF PPS Pricer that did not calculate a comorbidity adjustment (adjustment factor 1.07) on claims that contained both diagnosis code 07070 and a discharge date occurring on or after January 1, 2005 through June 30, 2006. CR 6077 announces that this error will be corrected in the release of the RY 09 Pricer. Medicare FIs and A/B MACs will reprocess and finalize any claim affected by this error, if you bring it to their attention.

Additional Information

You can find more information about the RY 2009 update to the IPF PPS by going to CR 6077, located at

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<http://www.cms.hhs.gov/Transmittals/downloads/R1543CP.pdf> on the CMS website.

You will find updated *Medicare Claims Processing Manual* Chapter 3 (Inpatient Hospital Billing) Sections 190.4.2.1 (Budget Neutrality Components), 190.5 (Patient-Level Adjustments), 190.5.1 (Diagnosis- Related Groups (DRGs) Adjustments), 190.5.2 (Application of Code First, 190.6.5 - Cost-of-Living Adjustment (COLA) for Alaska and Hawaii), 190.7.3 (Electroconvulsive Therapy (ECT) Payment), 190.7.4 (Stop Loss Provision (Transition Period Only)), 190.10.1 (General Rules), and 190.17.1 (Inputs/Outputs to PRICER) as an attachment to CR 6077.

If you have any questions, please contact your FI or A/B MAC at their toll-free number, which may be found at

<http://www.cms.hhs.gov/MLNProducts/downloads/CallCenterTollNumDirectory.zip> on the CMS website.

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