

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



**News Flash** – A new publication titled “Mental Health Services” is now available in downloadable format from the Medicare Learning Network® at [http://www.cms.gov/MLNProducts/downloads/Mental\\_Health\\_Services\\_ICN903195.pdf](http://www.cms.gov/MLNProducts/downloads/Mental_Health_Services_ICN903195.pdf) on the Centers for Medicare & Medicaid Services (CMS) website. This booklet is designed to provide education on mental health services, including covered mental health services, mental health services that are not covered, mental health professionals, outpatient psychiatric hospital services, and inpatient psychiatric hospital services.

MLN Matters® Number: MM7367

Related Change Request (CR) #: 7367

Related CR Release Date: May 20, 2011

Effective Date: Discharges on or after July 1, 2011

Related CR Transmittal #: R2220CP

Implementation Date: July 5, 2011

## **Update-Inpatient Psychiatric Facilities Prospective Payment System (IPF PPS) Rate Year 2012**

**Note: This article was updated on August 20, 2012, to reflect current Web addresses. All other content remains the same.**

### **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 and paid under the Inpatient Psychiatric Facilities Prospective Payment System (IPF PPS) are affected.

### **Provider Action Needed**

This article is based on Change Request (CR) 7367 which identifies changes that are required as part of the annual IPF PPS update from the Rate Year (RY) 2012 IPF PPS update notice, published on April 29, 2011. These changes are applicable to IPF

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discharges occurring during the rate year July 1, 2011, through September 30, 2012, and this is the sixth RY update to the IPF PPS. The applicable previous year update is detailed in MLN Matters® article MM6986 and may be reviewed at <http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNMattersArticles/downloads/MM6986.pdf> on the Centers for Medicare & Medicaid Services (CMS) website. Make sure that your billing staffs are aware of these IPF PPS changes.

## Background

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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. The RY update is effective July 1 - June 30, and the Medicare Severity Diagnosis Related Groups (MS-DRGs) and International Classification of Diseases, 9th Revision, Clinical Modification (ICD-9-CM) codes are updated on October 1 of each year.

Note that, effective with RY 2012, the IPF PPS payment rate update period will switch from a (RY) that begins on July 1 ending on June 30 to a period that coincides with a fiscal year (FY.) To transition from a RY to a FY basis, the IPF PPS RY 2012 will cover the 15 month period from July 1, 2011, – September 30, 2012. This change to the payment update period will allow one consolidated annual update to both the rates and the ICD-9-CM coding changes (MS-DRG and co-morbidities). Coding and rate changes will continue to be effective October 1 of each year thereafter.

Change Request (CR) 7367 identifies changes that are required as part of the annual IPF PPS update from the RY 2012 IPF PPS update notice, published on April 29, 2011.

## Key Points of CR7367

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### *Market Basket Update*

For RY 2012, CMS rebased and revised the FY 2002-based RPL (Rehabilitation, Psychiatric and Long Term Care) market basket to a FY 2008-based RPL market basket.

Section 1886(s)(3)(A) of the Social Security Act, which was added by Section 3401(f) of the Affordable Care Act, requires the application of an "Other Adjustment" that reduces any update to the IPF PPS base rate by 0.25 percentage point for the rate year beginning in 2012. Applying the market basket increase of 3.2 percent, with the "Other Adjustment" of -0.25 percentage point, and the wage index budget neutrality factor of 0.9995 to the RY 2011 Federal per diem base rate of \$665.71 yields a Federal per diem base rate of \$685.01 for RY 2012. Similarly, applying the market

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basket increase with the “Other Adjustment”, and the wage index budget neutrality factor to the RY 2011 electroconvulsive therapy (ECT) rate yields an ECT rate of \$294.91 for RY 2012.

***PRICER Updates***

- The Federal per diem base rate is \$685.01.
- The fixed dollar loss threshold amount is \$7,340.00.
- The IPF PPS will use the FY 2011 unadjusted pre-floor, pre-reclassified hospital wage index.
- The labor-related share is 70.317 percent.
- The non-labor related share is 29.683 percent.
- The ECT rate is \$294.91.

***The National Urban and Rural Cost to Charge Ratios for the IPF Prospective Payment System Rate Year 2012:***

Cost to Charge Ratio	Median	Ceiling
Urban	0.5055	1.7643
Rural	0.6435	1.8199

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 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***

The code set and adjustment factors are unchanged for the IPF PPS RY 2012.

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

CMS is using the updated wage index and the wage index budget neutrality factor of 0.9995.

***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. The COLA rates for the areas of Alaska and Hawaii are reflected in the following two tables:

<b>Alaska</b>	<b>Cost of Living Adjustment Factor</b>
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

<b>Hawaii</b>	<b>Cost of Living Adjustment Factor</b>
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**

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The official instruction, CR 7367, issued to your Medicare FI and A/B MAC regarding this change may be viewed at <http://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/downloads/R2220CP.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 at <http://www.cms.gov/Research-Statistics->

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[Data-and-Systems/Monitoring-Programs/provider-compliance-interactive-map/index.html](#) on the CMS website.

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