

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



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- [“ICD-10-CM/PCS The Next Generation of Coding,”](#) Fact Sheet, ICN 901044, Downloadable and Hard Copy.

MLN Matters® Number: MM8395

Related Change Request (CR) #: CR8395

Related CR Release Date: August 16, 2013

Effective Date: October 1, 2013

Related CR Transmittal #: R2768CP

Implementation Date: October 7, 2013

## **Update-Inpatient Psychiatric Facilities Prospective Payment System (IPF PPS) Fiscal Year (FY) 2014**

### **Provider Types Affected**

This MLN Matters® Article is intended for providers who submit claims to Medicare contractors (Fiscal Intermediaries (FIs), and/or Part A Medicare Administrative Contractors (A MACs)) for services provided to Medicare beneficiaries and are paid under the Inpatient Psychiatric Facilities Prospective Payment System (IPF PPS).

### **Provider Action Needed**

This article is based on Change Request (CR) 8395 which identifies changes that are required as part of the annual Inpatient Psychiatric Facility Prospective Payment System (IPF PPS) update from the Fiscal Year (FY) 2014 IPF PPS update notice, published on August 1, 2013. These changes are applicable to IPF discharges occurring during the fiscal year October 1, 2013, through September 30, 2014. Make sure that your billing staff is aware of these IPF PPS changes for FY 2014.

#### **Disclaimer**

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## Background

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The Centers for Medicare & Medicaid Services (CMS) published a final rule in the Federal Register on November 15, 2004, that established the Prospective Payment System (PPS) for Inpatient Psychiatric Facilities (IPF) under the Medicare program in accordance with provisions of the Medicare, Medicaid and SCHIP Balance Budget Refinement Act of 1999 (BBRA; Section 124 of Public Law 106-113).

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.

Change Request (CR) 8395 identifies changes that are required as part of the annual IPF PPS update from the IPF PPS Fiscal Year (FY) 2014 Final Rule. These changes are applicable to IPF discharges occurring during the Fiscal Year (FY) October 1, 2013, through September 30, 2014.

### *Inpatient Psychiatric Facilities Quality Reporting Program (IPFQR)*

Section 1886(s)(4) of the Social Security Act requires the establishment of a quality data reporting program for the IPF PPS beginning in Rate Year (RY) 2014. CMS finalized new 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 RY 2014 and each subsequent rate year, the Secretary of Health and Human Services shall reduce any annual update to a standard Federal rate for discharges occurring during the Rate Year by 2.0 percentage points for any IPF that does not comply with the quality data submission requirements with respect to an applicable year. Therefore, CMS is applying a 2.0 percentage point reduction to the Federal per diem base rate and the ECT base rate as follows:

1. For IPFs that fail to submit quality reporting data under the IPFQR program, CMS is applying a 0 percent annual update (that is 2.0 percent reduced by 2 percentage points in accordance with section 1886(s)(4)(A)(ii) of the Act) and the wage index budget neutrality factor of 1.0010 to the FY 2013 Federal per diem base rate of \$698.51, yielding a Federal per diem base rate of \$699.21 for FY 2014.
2. Similarly, CMS is applying the 0 percent annual update and the 1.0010 wage index budget neutrality factor to the FY 2013 ECT base rate of \$300.72, yielding an ECT base rate of \$301.02 for FY 2014.

### *Market Basket Update*

For FY 2014, CMS used the FY 2008-based Rehabilitation, Psychiatric and Long Term Care (RPL) market basket to update the IPF PPS payment rates (that is the Federal per diem and Electroconvulsive Therapy (ECT) base rates).

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The Social Security Act (Section 1886(s)(2)(A)(ii); see [http://www.ssa.gov/OP\\_Home/ssact/title18/1886.htm](http://www.ssa.gov/OP_Home/ssact/title18/1886.htm) on the Internet), requires the application of an “Other Adjustment” that reduces any update to the IPF PPS base rate by percentages specified in the Social Security Act (Section 1886(s)(3)) for RY beginning in 2010 through the RY beginning in 2019. For the RY beginning in 2013 (that is, FY 2014), the Social Security Act (Section 1886(s)(3)(B)) requires the reduction to be 0.1 percentage point. CMS is implementing that provision in this FY 2014 notice.

In addition, the Social Security Act (Section 1886(s)(2)(A)(i)) requires the application of the Productivity Adjustment described in the Social Security 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 RY. For the RY beginning in 2013 (that is FY 2014), the reduction is 0.5 percentage point. CMS is implementing that provision in this FY 2014 notice.

Specifically, CMS reduced the update to the IPF PPS base rate for FY 2014 by applying the adjusted market basket update of 2.0 percent (which includes the RPL market basket increase of 2.6 percent, an Affordable Care Act required 0.1 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 1.0010 to the FY 2013 Federal per diem base rate of \$698.51 yields a Federal per diem base rate of \$713.19 for FY 2014. Similarly, applying the adjusted market basket update of 2.0 percent and the wage index budget neutrality factor of 1.0010 to the FY 2013 ECT rate of \$300.72 yields an ECT rate of \$307.04 for FY 2014.

***Pricer Updates***

- The Federal per diem base rate is \$713.19.
- The Federal per diem base rate is \$699.21 (when applying the 2 Percentage Point Reduction.)
- The fixed dollar loss threshold amount is \$10,245.
- The IPF PPS will use the FY2013 unadjusted pre-floor, pre-reclassified hospital wage index.
- The labor-related share is 69.494 percent.
- The non-labor related share is 30.506 percent.
- The ECT rate is \$307.04.
- The ECT rate is \$301.02 (when applying the 2 Percentage Point Reduction.)

***Cost to Charge Ratios for the IPF Prospective Payment System FY 2014***

Cost to Charge Ratio	Median	Ceiling
Urban	0.4770	1.7066
Rural	0.6220	1.8644

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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 fiscal intermediary obtains inaccurate or incomplete data with which to calculate either an operating or capital CCR or both.

### ***FY2013 Pre-floor, Pre-reclassified Hospital Wage Index***

CMS is using the updated wage index and the wage index budget neutrality factor of 1.0010.

### ***COLA Adjustment for the IPF PPS FY 2014***

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. These are the same rates that were in effect for RY 2010, RY 2011, RY 2012, and RY 2013. The COLAs for Alaska and Hawaii are shown in the following 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

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## Additional Information

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The official instruction, CR8395, issued to your MAC regarding this change may be viewed at <http://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/Downloads/R2768CP.pdf> on the CMS website.

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