



# INPATIENT PSYCHIATRIC FACILITY PROSPECTIVE PAYMENT SYSTEM

**ICN 006839 August 2016**

**Please note:** The information in this publication applies only to the Medicare Fee-For-Service Program (also known as Original Medicare).

The Hyperlink Table, at the end of this document, provides the complete URL for each hyperlink.

Learn about these Inpatient Psychiatric Facility Prospective Payment System (IPF PPS) topics:

- ❖ Background
- ❖ Coverage requirements
- ❖ How payment rates are set
- ❖ Fiscal year (FY) 2017 update to the IPF PPS
- ❖ IPF Quality Reporting (QR) Program
- ❖ Resources

When “you” is used in this publication, we are referring to IPFs.

## Background

Under Section 124 of the Balanced Budget Refinement Act of 1999 (Public Law 106-113), the IPF PPS for psychiatric services furnished to Medicare patients in psychiatric hospitals and distinct part units in acute care hospitals and Critical Access Hospitals was implemented effective January 2005.

## Coverage Requirements

These requirements must be met for Medicare to pay for inpatient psychiatric hospital services under the IPF PPS:

- ❖ You must furnish:
  - The patient active psychiatric treatment that can be reasonably expected to improve his or her condition
  - Services while the patient is receiving either active psychiatric treatment or admission and related services necessary for diagnostic treatment
- ❖ A physician must provide:
  - Certification at the time of admission or as soon thereafter as is reasonable and practicable that the patient needs, on a daily basis, active inpatient treatment furnished directly by or requiring the supervision of IPF personnel
  - The first re-certification as of the 12th day of hospitalization
  - Subsequent re-certifications at intervals established by the utilization review committee (on a case-by-case basis, if it so chooses), but no less than every 30 days that the patient continues to need, on a daily basis, active inpatient treatment furnished directly by or requiring the supervision of IPF personnel

Medicare covers patients treated for psychiatric conditions in specialty facilities for 90 days of care per illness with a 60-day lifetime reserve and for 190 days of care in freestanding psychiatric hospitals.

## How Payment Rates Are Set

Under the IPF PPS, Federal per diem rates include inpatient operating and capital-related costs (including routine and ancillary services) and are determined based on:

- ❖ Geographic factors:
  - A hospital wage index value is assigned to account for geographic differences in wage levels. In FY 2016, to transition to the wage index associated with new Office of Management and Budget (OMB) delineations for Metropolitan Statistical Areas, Micropolitan Statistical Areas, and Combined Statistical Areas, all IPF providers received a 1-year blended wage index using 50 percent of their FY 2016 wage index based on current OMB delineations and 50 percent of their FY 2016 wage index based on the new OMB delineations. In FY 2017, the wage index reflects the full adoption of the new OMB delineations.
  - The non-labor-related portion accounts for a higher cost of living for IPFs in Alaska and Hawaii.
- ❖ Patient characteristics:
  - Medicare Severity-Diagnosis Related Group (MS-DRG) classification.
  - Age.

- Presence of specified comorbidities.
- Length of stay.
- ❖ Facility characteristics:
  - Effective January 1, 2016, under new OMB delineations, some facilities may now be located in urban rather than rural areas. The payment adjustment for affected facilities is being phased out:
    - In FY 2016, affected facilities received two-thirds of the rural adjustment.
    - In FY 2017, affected facilities will receive one-third of the rural adjustment.
    - In FY 2018 and subsequent years, affected facilities will not receive a rural adjustment.
  - Teaching hospitals receive payment to account for indirect medical education costs.

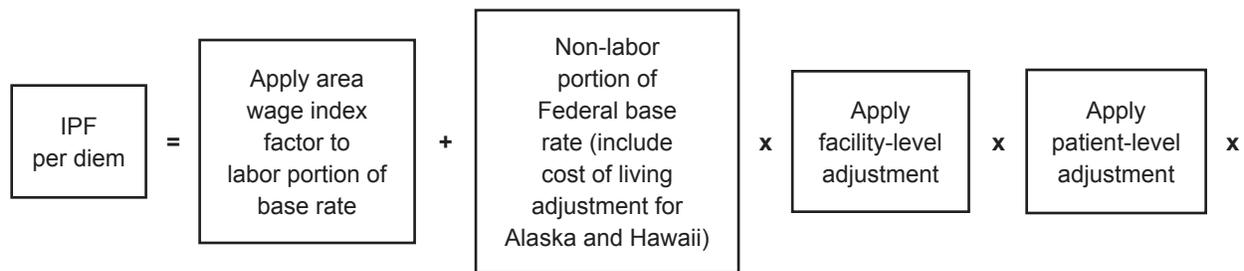
Additional payments are provided for:

- ❖ Patients treated in IPFs that have a qualifying emergency department (ED) receive a 12 percent higher payment for the first day of the stay
- ❖ The number of Electroconvulsive Therapy (ECT) treatments furnished
- ❖ Outlier payments for cases with extraordinarily high costs (payment is 80 percent of the costs above the threshold plus the estimated rate for days 1–9 and 60 percent of excess costs for the remaining days)

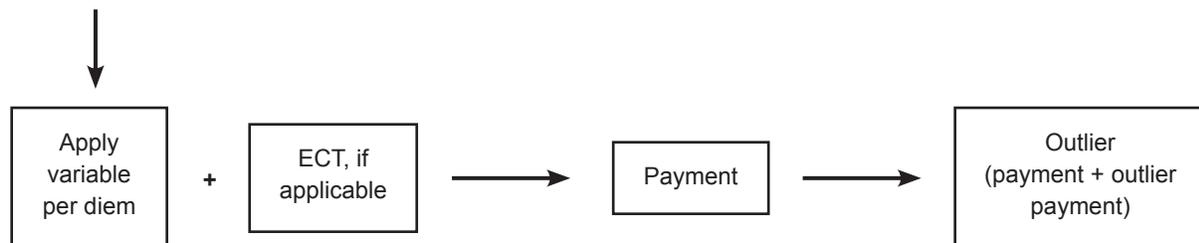
The per diem base rate excludes pass-through costs, such as bad debts and graduate medical education.

You are paid under the PPS according to your cost reporting year and transition into the PPS. The transition to 100 percent PPS rates was complete for cost reporting periods beginning in 2008. During the transition, the stop-loss provision guaranteed that you were not paid less than 70 percent of what you would have been paid under the Tax Equity and Fiscal Responsibility Act of 1982. This means that, beginning January 1, 2009, all IPFs receive 100 percent IPF PPS payment and, therefore, the stop-loss provision is no longer applied. In the implementation year, the Federal per diem base rate and ECT rate were reduced by 0.39 percent to ensure that stop-loss payments were budget neutral. In rate year 2009, since both the transition and stop-loss provision ended, the rates were increased by 0.39 percent.

## PAYMENT RATES UNDER THE INPATIENT PSYCHIATRIC FACILITY PROSPECTIVE PAYMENT SYSTEM



### Presence of ED



## FY 2017 Update to the IPF PPS

The FY 2017 update to the IPF PPS includes:

- ❖ Market basket update:
  - The IPF market basket is calculated for free-standing and hospital-based IPFs and is used to update the Federal per diem base rate
- ❖ Pricer updates:
  - Federal per diem base rate: \$761.37
  - Federal per diem base rate with the 2.0 percentage point reduction for IPFs that do not comply with quality data submission requirements: \$746.48
  - Fixed-dollar loss threshold amount: \$10,120
  - Transition blend for cost reporting periods beginning on or after January 1, 2008: 100 percent PPS
  - Labor-related share (75.1 percent): \$571.79
  - Labor-related share with the 2.0 percentage point reduction (75.1 percent) for IPFs that do not comply with quality data submission requirements: \$560.61
  - Non-labor-related share (24.9 percent): \$189.58
  - Non-labor-related share with the 2.0 percentage point reduction (24.9 percent) for IPFs that do not comply with quality data submission requirements: \$185.87
  - ECT rate: \$327.78
  - ECT rate with the 2.0 percentage point reduction for IPFs that do not comply with quality data submission requirements: \$321.38

- ❖ MS-DRG and comorbidity adjustments
- ❖ FY 2016 pre-floor, pre-reclassified hospital wage index and a wage index budget neutrality factor of 1.0007
- ❖ National cost-to-charge ratios (CCR), which apply to IPFs:
  - That have not yet submitted their first cost report
  - Whose operating or capital CCR is in excess of 3 standard deviations above the corresponding national geometric mean (the ceiling)
  - Whose Medicare Administrative Contractors obtain inaccurate or incomplete data to calculate either an operating or capital CCR or both

This chart provides national CCRs.

### National Cost-to-Charge Ratios

CCR	Median	Ceiling
Urban	0.4455	1.6374
Rural	0.5960	1.9315

For more information about IPF PPS payment updates, refer to [Final FY 2017 Medicare Payment and Policy Changes for Inpatient Psychiatric Facilities](#) and [FY 2017 Inpatient Psychiatric Hospital Facility PPS Final Rule](#).

## IPFQR Program

Section 1886(s)(4)(C) of the Social Security Act requires establishment of the IPFQR Program. Beginning in FY 2014, if you do not report the quality data, you will be subject to a 2.0 percentage point reduction to the applicable annual update.

This chart provides the quality measures that you must report beginning in FYs 2013, 2015, 2016, and 2017.

### Quality Measures for FYs 2013, 2015, 2016, and 2017

Fiscal Year	Quality Measures
Report in FY 2013, with reduction to annual update in FY 2014 if quality data is not reported	1 - Hours of physical restraint use (National Quality Forum [NQF] #0640) 2 - Hours of seclusion use (NQF #0641) 3 - Patients discharged on multiple antipsychotic medications (NQF #0552) 4 - Patients discharged on multiple antipsychotic medications with appropriate justification (NQF #0560) 5 - Post-discharge continuing care plan created (NQF #0557) 6 - Post-discharge continuing care plan transmitted to next level of care provider upon discharge (NQF #0558)

## Quality Measures for FYs 2013, 2015, 2016, and 2017 (cont.)

Fiscal Year	Quality Measures
Report in FY 2015, with reduction to annual update in FY 2016 if quality data is not reported	1 - Alcohol use screening (NQF #1661) 2 - Follow-up after hospitalization for mental illness (NQF #0576) 3 - Assessment of Patient Experience of Care 4 - Use of an Electronic Health Record
Report in FY 2016, with reduction to annual update in FY 2017 if quality data is not reported	1 - Influenza immunization (NQF #1659) 2 - Influenza Vaccination Coverage Among Healthcare Personnel (NQF #0431) 3 - Tobacco Use Screening (NQF #1651) 4 - Tobacco Use Treatment Provided or Offered and Tobacco Use Treatment (NQF #1654)
Report in FY 2017, with reduction to annual update in FY 2018 if quality data is not reported	1 - Tobacco Use Treatment at Discharge (NQF #1656) 2 - Alcohol Use Brief Intervention Provided or Offered and SUB-2a Alcohol Use Brief Intervention (NQF #1663) 3 - Transition Record with Specified Elements Received by Discharged Patients (Discharges from an Inpatient Facility to Home/Self Care or Any Other Site of Care) (NQF #0647) 4 - Timely Transmission of Transition Record (Discharges from an Inpatient Facility to Home/Self Care or Any Other Site of Care) (NQF #0648) 5 - Screening for Metabolic Disorders

Beginning in FY 2017, you must also report on a yearly basis aggregate population counts as a single number.

## Resources

This chart provides IPF PPS resource information.

### Inpatient Psychiatric Facility Prospective Payment System Resources

For More Information About...	Resource
Inpatient Psychiatric Facility Prospective Payment System	<a href="#">Inpatient Psychiatric Facility PPS</a> Chapters 2 and 3 of the <a href="#">Medicare Benefit Policy Manual</a> (Publication 100-02) Chapter 3 of the <a href="#">Medicare Claims Processing Manual</a> (Publication 100-04)
Inpatient Psychiatric Facility Quality Reporting Program Requirements	<a href="https://www.qualitynet.org">https://www.qualitynet.org</a>

**Inpatient Psychiatric Facility Prospective Payment System Resources (cont.)**

<b>For More Information About...</b>	<b>Resource</b>
All Available Medicare Learning Network® (MLN) Products	<a href="#">MLN Catalog</a>
Provider-Specific Medicare Information	<a href="#">MLN Guided Pathways: Provider Specific Medicare Resources</a>
Medicare Information for Patients	<a href="https://www.medicare.gov">https://www.medicare.gov</a>

**Hyperlink Table**

<b>Embedded Hyperlink</b>	<b>Complete URL</b>
Chapters 2 and 3 of the Medicare Benefit Policy Manual	<a href="https://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/Internet-Only-Manuals-IOMs-Items/CMS012673.html">https://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/Internet-Only-Manuals-IOMs-Items/CMS012673.html</a>
Chapter 3 of the Medicare Claims Processing Manual	<a href="https://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/Downloads/clm104c03.pdf">https://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/Downloads/clm104c03.pdf</a>
Final FY 2017 Medicare Payment and Policy Changes for Inpatient Psychiatric Facilities	<a href="https://www.cms.gov/Newsroom/MediaReleaseDatabase/Fact-sheets/2016-Fact-sheets-items/2016-07-28.html">https://www.cms.gov/Newsroom/MediaReleaseDatabase/Fact-sheets/2016-Fact-sheets-items/2016-07-28.html</a>
FY 2017 Inpatient Psychiatric Hospital Facility PPS Final Rule	<a href="https://s3.amazonaws.com/public-inspection.federalregister.gov/2016-17982.pdf">https://s3.amazonaws.com/public-inspection.federalregister.gov/2016-17982.pdf</a>
Inpatient Psychiatric Facility PPS	<a href="https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientPsychFacilPPS">https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientPsychFacilPPS</a>
MLN Catalog	<a href="https://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNProducts/Downloads/MLNCatalog.pdf">https://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNProducts/Downloads/MLNCatalog.pdf</a>
MLN Guided Pathways: Provider Specific Medicare Resources	<a href="https://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNEdWebGuide/Downloads/Guided_Pathways_Provider_Specific_booklet.pdf">https://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNEdWebGuide/Downloads/Guided_Pathways_Provider_Specific_booklet.pdf</a>

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