

<b>CMS Manual System</b>	<b>Department of Health &amp; Human Services (DHHS)</b>
<b>Pub 100-04 Medicare Claims Processing</b>	<b>Centers for Medicare &amp; Medicaid Services (CMS)</b>
<b>Transmittal 1981</b>	<b>Date: June 4, 2010</b>
	<b>Change Request 6986</b>

**SUBJECT: Update-Inpatient Psychiatric Facilities Prospective Payment System (IPF PPS) Rate Year 2011**

**I. SUMMARY OF CHANGES:** This Change Request (CR) identifies changes that are required as part of the annual IPF PPS update from the RY 2011 IPF PPS update notice, published on April 30, 2010. These changes are applicable to IPF discharges occurring during the rate year July 1, 2010 through June 30, 2011. This is the fifth RY update to the IPF PPS.

**EFFECTIVE DATE: July 1, 2010**

**IMPLEMENTATION DATE: July 6, 2010**

*Disclaimer for manual changes only: The revision date and transmittal number apply only to red italicized material. Any other material was previously published and remains unchanged. However, if this revision contains a table of contents, you will receive the new/revised information only, and not the entire table of contents.*

**II. CHANGES IN MANUAL INSTRUCTIONS:** (N/A if manual is not updated)

R=REVISED, N=NEW, D=DELETED-*Only One Per Row.*

<b>R/N/D</b>	<b>CHAPTER / SECTION / SUBSECTION / TITLE</b>
R	3/190.4.3 - Annual Update

**III. FUNDING:**

**For Fiscal Intermediaries (FIs), Regional Home Health Intermediaries (RHHIs) and/or Carriers:**

No additional funding will be provided by CMS; Contractor activities are to be carried out within their operating budgets.

**For Medicare Administrative Contractors (MACs):**

The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the MAC Statement of Work. The contractor is not obligated to incur costs in excess of the amounts allotted in your contract unless and until specifically authorized by the Contracting Officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the Contracting Officer, in writing or by e-mail, and request formal directions regarding continued performance requirements.

**IV. ATTACHMENTS:**

**Recurring Update Notification**

**Manual Instruction**

*\*Unless otherwise specified, the effective date is the date of service.*

# Attachment – Recurring Update Notification

Pub. 100-04	Transmittal: 1981	Date: June 4, 2010	Change Request: 6986
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**SUBJECT: Update-Inpatient Psychiatric Facilities Prospective Payment System (IPF PPS) Rate Year 2011**

**EFFECTIVE DATE:** July 1, 2010

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## I. GENERAL INFORMATION

**A. Background:** On November 15, 2004, CMS published in the Federal Register 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 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). We are required to make updates to this prospective payment system annually. The Rate Year (RY) update is effective July 1 - June 30 and the MS-DRGs and ICD-9-CM codes are updated on October 1 of each year.

This Change Request (CR) identifies changes that are required as part of the annual IPF PPS update from the RY 2011 IPF PPS update notice, published on April 30, 2010. These changes are applicable to IPF discharges occurring during the rate year July 1, 2010, through June 30, 2011. This is the fifth RY update to the IPF PPS.

## B. Policy:

### Rate Year 2011 Update to the IPF PPS

#### 1. Market Basket Update:

Section 1886(s)(3)(A) of the Act, which was added by Section 3401(f) of the Affordable Care Act (Pub. L. 111-148) as amended by Section 10319(e) of that Act and by Section 1105 of the Health Care and Education Reconciliation Act of 2010 (Pub. L. 111-152), 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 2010. We are implementing that provision for RY 2011 in this notice.

Specifically, we reduced the update to the IPF PPS base rate by 0.25 percent for rate year 2011. Applying the market basket increase of 2.4 percent, with the “Other Adjustment” of -0.25%, and the wage index budget neutrality factor of 0.9999 to the RY 2010 Federal per diem base rate of \$651.76 yields a Federal per diem base rate of \$665.71 for RY 2011. Similarly, applying the market basket increase with the “Other Adjustment”, and the wage index budget neutrality factor to the RY 2010 electroconvulsive therapy (ECT) rate yields an ECT rate of \$286.60 for RY 2011.

#### 2. PRICER Updates: For IPF PPS Rate Year (RY) 2011, (July 1, 2010 – June 30, 2011):

- The Federal per diem base rate is \$665.71.
- The fixed dollar loss threshold amount is \$6,372.00.
- The IPF PPS will use the FY 2010 unadjusted pre-floor, pre-reclassified hospital wage index.
- The labor-related share is 75.400 percent.

- The non-labor related share is 24.600 percent.
- The ECT rate is \$286.60.

**3. Provider Specific File (PSF) Updates:**

No updates beyond standard maintenance.

**4. The National Urban and Rural Cost to Charge Ratios for the IPF PPS RY 2011:**

Cost to Charge Ratio	Median	Ceiling
Urban	0.5170	1.7377
Rural	0.6480	1.7383

We are 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, we are 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.

**5. MS-DRG Update**

The code set and adjustment factors are unchanged for RY 2011.

**6. FY 2010 pre-floor, pre-reclassified hospital wage index**

We are using the updated wage index and the wage index budget neutrality factor of **0.9999**.

**II. BUSINESS REQUIREMENTS TABLE**

Number	Requirement	Responsibility									
		A / B M A C	D M M A C	F I M A R	C A R I E R	R H R I	Shared-System Maintainers				Other
						F I S S	M C S	V M S	C M W F		
6986.1	The IPF PPS Pricer shall include all RY 2011 IPF PPS updates.									IPF PPS Pricer	
6986.2	FISS shall install and pay claims with the RY 2011 IPF PPS Pricer for discharges occurring on or after July 1, 2010.						X				

### III. PROVIDER EDUCATION TABLE

Number	Requirement	Responsibility									
		A / B  M A C	D M E  M A C	F I  I E R	C A R I E R	R H H I  S	Shared-System Maintainers				Other
							F I S	M C S	V M S	C W F	
6986.3	<p>A provider education article related to this instruction will be available at <a href="http://www.cms.hhs.gov/MLNMattersArticles/">http://www.cms.hhs.gov/MLNMattersArticles/</a> shortly after the CR is released. You will receive notification of the article release via the established "MLN Matters" listserv.</p> <p>Contractors shall post this article, or a direct link to this article, on their Web site and include information about it in a listserv message within one week of the availability of the provider education article. In addition, the provider education article shall be included in your next regularly scheduled bulletin. Contractors are free to supplement MLN Matters articles with localized information that would benefit their provider community in billing and administering the Medicare program correctly.</p>	X		X							

### IV. SUPPORTING INFORMATION

#### Section a: Recommendations and supporting information associated with listed requirements:

X-Ref Requirement Number	Recommendations or other supporting information:
	N/A

#### Section B: All other recommendations and supporting information: N/A

### V. CONTACTS

#### Pre-Implementation Contact(s):

Policy: Dorothy Myrick at [dorothy.myrick@cms.hhs.gov](mailto:dorothy.myrick@cms.hhs.gov) or 410-786-9671

Claims Processing: Joe Bryson at [joseph.bryson@cms.hhs.gov](mailto:joseph.bryson@cms.hhs.gov) or 410-786-2986

Post-Implementation Contact(s): Regional Office

## **VI. FUNDING**

### **Section A: For *Fiscal Intermediaries (FIs), Regional Home Health Intermediaries (RHHIs), and/or Carriers:***

No additional funding will be provided by CMS; contractor activities are to be carried out within their operating budgets.

### **Section B: For *Medicare Administrative Contractors (MACs):***

The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the MAC Statement of Work. The contractor is not obligated to incur costs in excess of the amounts allotted in your contract unless and until specifically authorized by the Contracting Officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the Contracting Officer, in writing or by e-mail, and request formal directions regarding continued performance requirements.

# Medicare Claims Processing Manual

## Chapter 3 - Inpatient Hospital Billing

### 190.4.3 - Annual Update

*(Rev.1981, Issued: 06-04-10. Effective: 07-01-10, Implementation: 07-06-10)*

The IPF PPS is on a July 1<sup>st</sup> – June 30<sup>th</sup> annual update cycle. The first update to the IPF PPS occurred on July 1, 2006, and will occur every July 1 thereafter.

In accordance with [42 CFR 412.428](#), the annual update includes revisions to the Federal per diem base rate, the hospital wage index, ICD-9-CM coding and Diagnosis-Related Groups (DRGs) classification changes discussed in the annual update to the hospital IPPS regulations, the electroconvulsive therapy (ECT) rate, the fixed dollar loss threshold amount and the national urban and rural cost-to-charge medians and ceilings.

Below are the Change Requests (CRs) for the applicable Rate Years (RYs):

RY 2009 – CR 6077

RY 2010 – CR 6461

*RY 2011 – CR 6986*

Change Requests can be accessed through the following CMS Transmittals website:

[http://www.cms.hhs.gov/Transmittals/01\\_Overview.asp](http://www.cms.hhs.gov/Transmittals/01_Overview.asp)