



Inpatient Psychiatric Facilities Prospective Payment System (IPF PPS) Updates for Fiscal Year (FY) 2021

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Related Change Request (CR) Number: 11949

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Related CR Transmittal Number: R10312CP

Implementation Date: October 5, 2020

PROVIDER TYPE AFFECTED

This MLN Matters® Article is intended for physicians, other providers, and suppliers submitting claims to Medicare contractors (A/B Medicare Administrative Contractors (A/B MACs)) for services to Medicare beneficiaries.

PROVIDER ACTION NEEDED

This article is based on Change Request (CR) 11949 and identifies changes that are required as part of the annual IPF PPS update established in IPF Final Rule entitled “Medicare Program; FY 2021 Inpatient Psychiatric Facilities Prospective Payment System (IPF PPS) and Special Requirements for Psychiatric Hospitals for Fiscal Year Beginning October 1, 2020 (FY 2021).” These changes are applicable to discharges occurring from October 1, 2020, through September 30, 2021 (FY 2021). CR 11949 applies to the Medicare Claims Processing Manual (CLM), Chapter 3, Section 190.4.3.

Make sure that your billing staffs are aware of these changes. See the Background and Additional Information Sections of this article for further details regarding these changes.

BACKGROUND

On November 15, 2004, the Centers for Medicare & Medicaid Services (CMS) published in the *Federal Register* a final rule that established the PPS for IPFs under the Medicare program in accordance with provisions of Section 124 of Public Law 106-113, the Medicare, Medicaid and SCHIP Balanced Budget Refinement Act of 1999 (BBRA). Payments to IPFs under the IPF PPS are based on a federal per diem base rate which includes both inpatient operating and capital-related costs (including routine and ancillary services), but excludes certain pass-through costs (that is, bad debts, and graduate medical education). CMS is required to make updates to this IPF PPS annually.

CR11949 Key Points

1. Market Basket Update

Since the IPF PPS inception, the Office of the Actuary periodically revises and rebases the IPF market basket to reflect more recent data on IPF cost structures. CMS last rebased and revised the market basket applicable to IPFs in the FY 2016 IPF PPS final rule, when a 2012-based IPF-specific market-basket was adopted. For FY 2021, CMS is using the 2016-based IPF market basket to update the IPF PPS payments (that is, the Federal per diem base rate and Electroconvulsive Therapy (ECT) payment per treatment). The 2016-based IPF market basket update for FY 2021 is 2.2 percent. However, this 2.2 percent is subject to one reduction required by the Social Security Act (the Act), as described below.

Section 1886(s)(2)(A)(i) of the Act requires the application of the “productivity adjustment” described in Section 1886(b)(3)(B)(xi)(II) of the Act to the IPF PPS for the rate year (RY) beginning in 2012 (that is, an RY that coincides with an FY), and each subsequent RY. For the FY beginning in 2020 (that is, FY 2021), the reduction is 0 percentage point. CMS implemented that provision in the FY 2021 IPF PPS Final Rule.

Therefore, CMS updated the IPF PPS base rate for FY 2021 by applying the adjusted market basket update of 2.2 percent (which includes the 2016-based IPF market basket update of 2.2 percent and a productivity adjustment reduction of 0 percentage point) and the wage index budget neutrality factor of 0.9989 to the FY 2020 Federal per diem base rate of \$798.55, yielding an FY 2021 Federal per diem base rate of \$815.22. Similarly, applying the adjusted market basket update of 2.2 percent and the wage index budget neutrality factor of 0.9989 to the FY 2020 ECT payment per treatment of \$343.79 yields an ECT payment per treatment of \$350.97 for FY 2021.

2. FY 2021 Wage Index Update

CMS continued its policy from the prior fiscal year of updating the IPF PPS wage index for FY 2021 with the concurrent wage data from the FY 2021 inpatient prospective payment system wage index before reclassifications and other adjustments are taken into account.

In addition, on September 14, 2018, OMB issued OMB Bulletin No. 18–04, announcing a number of changes including some new Core-Based Statistical Areas (CBSAs), urban counties that would become rural, rural counties that would become urban, and existing CBSAs that would be split apart. CMS adopted the new CBSA delineations for FY 2021 and finalized a transition policy to apply a 5 percent cap to all IPF providers on any decrease to a provider’s FY 21 final wage index from that provider’s final wage index of the prior fiscal year (FY 20). CMS implement changes to the wage index in a budget-neutral manner. Therefore, there will not be an impact on aggregate Medicare payments to IPFs.

The FY 2021 final IPF PPS wage index is available online at <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientPsychFacilPPS/WageIndex.html>.

3. Inpatient Psychiatric Facilities Quality Reporting Program (IPFQR)

Section 1886(s)(4) of the Act requires the establishment of a quality data reporting program for the IPF PPS beginning in FY 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 FY 2014 and each subsequent fiscal year, the Secretary will reduce any annual update to a standard Federal rate for discharges occurring during the FY by 2 percentage points for any IPF that does not comply with the quality data submission requirements with respect to an applicable year. Therefore, a 2 percentage point reduction is applied when calculating the Federal per diem base rate and the ECT payment per treatment as follows:

- The adjusted market basket update of 2.2 percent (which includes the 2016-based IPF market basket update of 2.2 percent and a required productivity adjustment reduction of 0 percentage point) is reduced by 2.0 percentage points, for an update of 0.2 percent for IPFs that failed to meet quality reporting requirements.
- For IPFs that failed to submit quality reporting data under the IPFQR program for FY 2021, the 0.2 percent update and the wage index budget neutrality factor of 0.9989 are applied to the FY 2020 Federal per diem base rate of \$798.55, yielding a Federal per diem base rate of \$799.27.
- Similarly, for IPFs that failed to submit quality reporting data under the IPFQR program for FY 2021, the 0.2 percent update and the wage index budget neutrality factor of 0.9989 are applied to the FY 2020 ECT payment per treatment of \$343.79, yielding a per treatment ECT payment of \$344.10 for FY 2021.

4. PRICER Updates: IPF PPS Fiscal Year 2021 (October 1, 2020 – September 30, 2021)

- The Federal per diem base rate is \$815.22 for IPFs that complied with quality data submission requirements.
- The Federal per diem base rate is \$799.27, when applying the two percentage point reduction, for IPFs that failed to comply with quality data submission requirements.
- The fixed dollar loss threshold amount is \$14,630.
- The IPF PPS wage index is based on the FY 2021 pre-floor, pre-reclassified acute care hospital wage index.
- The labor-related share is 77.3 percent.
- The non-labor related share is 22.7 percent.
- The ECT payment per treatment is \$350.97 for IPFs that complied with quality data submission requirements.
- The ECT payment per treatment is \$344.10 when applying the two percentage point reduction, for IPFs that failed to comply with quality data submission requirements.

Effective Fiscal Year (FY) 2021 a five percent cap will be adopted and applied to all Inpatient Psychiatric Facility providers on any decrease to a provider's FY 2021 final wage index from that provider's final wage index of the prior fiscal year (FY 2020).

The National Urban and Rural Cost to Charge Ratios for the IPF PPS Fiscal Year 2020

National Median and Ceiling Cost-to-Charge Ratios (CCRs)

CCRs	Rural	Urban
National Median	0.5720	0.4200
National Ceiling	2.0082	1.7131

5. ICD-10 CM/PCS Updates

For FY 2021, the IPF PPS adjustment factors are unchanged from those used in FY 2020. However, CMS updated the ICD-10-CM/PCS code set, effective October 1, 2020. These updates affect the ICD-10-CM/PCS codes that underlie the IPF PPS MS-DRGs and the IPF PPS comorbidity categories. The updated FY 2021 MS-DRG code lists are available on the IPPS website at <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/index.html>, and the updated FY 2021 IPF PPS comorbidity categories are available at <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientPsychFacilPPS/tools.html>. For FY 2021, there were 18 ICD-10-PCS codes deleted from the final IPF Code First table.

The final FY 2021 Code First table is available at <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientPsychFacilPPS/tools.html>. There were no changes for FY 2021 to the IPF ECT procedure code list.

6. Cost of Living Adjustment (COLA) Adjustment

The IPF PPS COLA factors list for FY 2021 was unchanged from FY 2020.

Alaska COLAs

Area	COLA Adjustment Factor
City of Anchorage and 80-kilometer (50-mile) radius by road	1.25
City of Fairbanks and 80-kilometer (50-mile) radius by road	1.25
City of Juneau and 80-kilometer (50-mile) radius by road	1.25
Rest of Alaska	1.25

Hawaii COLAs

Area	COLA Adjustment Factor
City and County of Honolulu	1.25
County of Hawaii	1.21
County of Kauai	1.25
County of Maui and County of Kalawao	1.25

7. Rural Adjustment

For FY 2021, IPFs designated as “rural” continue to receive a 17 percent rural adjustment.

ADDITIONAL INFORMATION

The official instruction, CR11949, issued to your MAC regarding this change is available at <https://www.cms.gov/files/document/r10312CP.pdf>.

An attachment to CR11949 contains other tables that show variable per diem adjustments, COLAs, facility adjustments, patient adjustments, age adjustments, DRG adjustments, and comorbidity adjustments.

If you have questions, your MACs may have more information. Find their website at <http://go.cms.gov/MAC-website-list>.

DOCUMENT HISTORY

Date of Change	
August 21, 2020	Initial article released.

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