CMS Manual System	**Department of Health & Human Services (DHHS)**
Pub 100-04 Medicare Claims Processing	**Centers for Medicare & Medicaid Services (CMS)**
Transmittal 10312	**Date: August 21, 2020**
	Change Request 11949

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

I. SUMMARY OF CHANGES: This Change Request (CR) 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). This Recurring CR applies to the Claims Processing Manual (CLM), chapter 3, section 190.4.3.

EFFECTIVE DATE: October 1, 2020
**Unless otherwise specified, the effective date is the date of service.*
IMPLEMENTATION DATE: October 5, 2020

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.*

R/N/D	CHAPTER / SECTION / SUBSECTION / TITLE
R	3/190/4.3/Annual Update

III. FUNDING:
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

Attachment - Recurring Update Notification

Pub. 100-04	Transmittal: 10312	Date: August 21, 2020	Change Request: 11949

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

EFFECTIVE DATE: October 1, 2020
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I. GENERAL INFORMATION

A. Background: On November 15, 2004, the Centers for Medicare & Medicaid Services (CMS) published in the *Federal Register* a final rule that established the Prospective Payment System (PPS) 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 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 (i.e., bad debts, and graduate medical education). CMS is required to make updates to this IPF PPS annually.

This Change Request (CR) identifies changes that are required as part of the annual IPF PPS update established in the FY 2021 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).

B. Policy: Fiscal Year 2021 Update to the IPF PPS

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. We last rebased and revised the market basket applicable to IPFs in the FY 2016 IPF PPS final rule, when we adopted a 2012-based IPF-specific market-basket. 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 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 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 five percent cap to all IPF providers on any decrease to a provider's FY21 final wage index from that provider's final wage index of the prior fiscal year (FY20). We implement changes to the wage index in a budget-neutral manner. Thus, 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 shall reduce any annual update to a standard Federal rate for discharges occurring during the FY by two percentage points for any IPF that does not comply with the quality data submission requirements with respect to an applicable year. Therefore, a two 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.

5. Provider Specific File (PSF) Updates

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). To capture these policy changes, the following fields will be added to the Provider Specific File:

1. **Supplemental Wage Index** - used for the prior fiscal year wage index value
2. **Supplemental Wage Index Indicator** - used to indicate the value in the "Supplemental Wage Index" field is the prior fiscal year wage index.

Medicare Administrative Contractors must update the "Supplemental Wage Index" and "Supplemental Wage Index Indicator" for all the IPF providers who were active in FY 2020.

Medicare Administrative Contractors must follow the steps below to ensure the appropriate values are applied in the Supplemental Wage Index and Supplemental Wage Indicator fields:

1. If the provider was **not active** for FY 2020, then **skip** all of the below steps and leave the "Supplemental Wage Index" and "Supplemental Wage Index Indicator" fields blank. If the provider was **active** for FY 2020, then **follow the steps below**.
2. Update the value of "Supplemental Wage Index Indicator" to be "1".
3. Validate the accuracy of the provider's FIPS state and county codes.
4. Validate the accuracy of the provider's FY 2020 CBSA based on the provider's FIPS state and county codes and the CBSA delineations defined in OMB Bulletin No. 17–01. Note that providers located in a "Micropolitan Statistical Area" are considered rural under the IPF PPS and should be assigned the appropriate 2-digit state code as their CBSA for the purposes of determining their wage index.
5. Using the Final FY2020 IPF Wage Index file **Final FY2020 IPF Wage Index CMS-1712-F (ZIP)** available online at https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientPsychFacilPPS/WageIndex.html , identify the corresponding FY 2020 wage index value for the provider's FY 2020 CBSA, and add this wage index value to "Supplemental Wage Index" field.

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

See Attachment One: "National Cost to Charge Ratios (CCRs)"

7. 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 Electroconvulsive Therapy procedure code list.

8. COLA Adjustment

The IPF PPS Cost of Living Adjustment (COLA) factors list for FY 2021 was unchanged from FY 2020. See **Attachment One**: "Cost of Living Adjustments (COLAs)."

9. Rural Adjustment

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

II. BUSINESS REQUIREMENTS TABLE

"Shall" denotes a mandatory requirement, and "should" denotes an optional requirement.

Number	Requirement	Responsibility								
		A/B MAC			DME MAC	Shared-System Maintainers				Other
		A	B	HHH		FISS	MCS	VMS	CWF	
11949.1	FISS shall install and pay claims with the FY 2021 IPF PPS Pricer for discharges occurring on or after October 1, 2020.					X				
11949.2	Medicare contractors shall perform the updates as outlined in the policy section, item 5 "Provider Specific File (PSF) Updates" of this notification. Medicare contractors shall update ALL relevant portions of the PSF in accordance with this CR by October 1, 2020.	X								
11949.3	As specified in publication 100-04, Medicare Claims Processing Manual, chapter 3, section 20.2.3.1, Medicare contractors shall maintain the accuracy of the data and update the PSF file as changes occur in data element values.	X								
11949.4	CMS shall ensure that the IPF PPS Pricer includes all FY 2021 IPF PPS updates.									CMS

III. PROVIDER EDUCATION TABLE

Number	Requirement	Responsibility				
		A/B MAC			DME MAC	CEDI
		A	B	HHH		
11949.5	MLN Article: CMS will make available an MLN Matters provider education article that will be marketed through the MLN Connects weekly newsletter shortly after the CR is released. MACs shall follow IOM Pub. No. 100-09 Chapter 6, Section 50.2.4.1, instructions for distributing MLN Connects information to providers, posting the article or a direct link to the article on your website, and including the article or a direct link to the article in your bulletin or newsletter. You may supplement MLN Matters articles with localized information benefiting your provider community in billing and administering the Medicare program correctly. Subscribe to the "MLN Matters" listserv to get article release notifications, or review them in the MLN Connects weekly newsletter.	X				

IV. SUPPORTING INFORMATION

Section A: Recommendations and supporting information associated with listed requirements:

"Should" denotes a recommendation.

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): Nicolas Brock, 410-786-5148 or nicolas.brock@cms.hhs.gov, Sherlene Jacques, 410-786-0510 or sherlene.jacques@cms.hhs.gov

Post-Implementation Contact(s): Contact your Contracting Officer's Representative (COR).

VI. FUNDING

Section A: 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.

ATTACHMENTS: 1

190.4.3 - Annual Update

(Rev. 10312; Issued: 08-21-2020; Effective: 10-01-20; Implementation: 10-05-20)

Prior to rate year (RY) 2012, the Inpatient Psychiatric Facility Prospective Payment System (IPF PPS) was on a July 1st - June 30th annual update cycle. The first update to the IPF PPS occurred on July 1, 2006 and every July 1st thereafter.

Effective with RY 2012, the IPF PPS payment rate update period switched from a rate year that began on July 1st ending on June 30th to a period that coincides with a fiscal year (FY). To transition from a RY to a FY, the IPF PPS RY 2012 covered the15 month period from July 1st -September 30th. This change to the payment update period will allow one consolidated annual update to both the rates and the ICD-10-CM/PCS coding changes (MS-DRG, comorbidities, and code first). Coding and rate changes will continue to be effective October 1st-September 30th of each year 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-10-CM coding and Diagnosis-Related Groups (DRGs) classification changes discussed in the annual update to the hospital IPPS regulations, the electroconvulsive therapy (ECT) payment per treatment, 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) and Fiscal Years (FYs), which are issued via a Recurring Update Notification.

RY 2009 - CR 6077
RY 2010 - CR 6461
RY 2011 - CR 6986
RY 2012 - CR 7367
FY 2013 - CR 8000
FY 2014 - CR 8395
FY 2015 - CR 8889
FY 2016 - CR 9305
FY 2017 - CR 9732
FY 2018 - CR 10214
FY 2019 - CR 10880
FY 2020 - CR 11420
FY 2021 – CR 11949

Change Requests can be accessed through the following CMS Transmittals Website:
http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientPsychFacilPPS/Inpatient-Psychiatric-Facility-PPS-Transmittals.html

Attachment 1
FY 2021 Final IPF PPS Rates and Adjustment Factors

Per Diem Rate:

Federal Per Diem Base Rate	$815.22
Labor Share (77.3%)	$630.17
Non-Labor Share (22.7%)	$185.05

Per Diem Rate Applying the 2 Percentage Point Reduction

Federal Per Diem Base Rate	$799.27
Labor Share (77.3%)	$617.84
Non-Labor Share (22.7%)	$181.43

Fixed Dollar Loss Threshold Amount:

$14,630

Wage Index Budget-Neutrality Factor:

0.9989

Facility Adjustments:

Rural Adjustment Factor	1.17
Teaching Adjustment Factor	0.5150
Wage Index	FY 2021 Pre-floor, Pre-reclassified IPPS Hospital Wage Index

Cost of Living Adjustments (COLAs):

Area	Cost of Living Adjustment Factor
Alaska:	
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:	
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

Patient Adjustments:

ECT – Per Treatment	$350.97
ECT – Per Treatment Applying the 2 Percentage Point Reduction	$344.10

Variable Per Diem Adjustments:

	Adjustment Factor
Day 1 -- Facility Without a Qualifying Emergency Department	1.19
Day 1 -- Facility With a Qualifying Emergency Department	1.31
Day 2	1.12
Day 3	1.08
Day 4	1.05
Day 5	1.04
Day 6	1.02
Day 7	1.01
Day 8	1.01
Day 9	1.00
Day 10	1.00
Day 11	0.99
Day 12	0.99
Day 13	0.99
Day 14	0.99
Day 15	0.98
Day 16	0.97
Day 17	0.97
Day 18	0.96
Day 19	0.95
Day 20	0.95
Day 21	0.95
After Day 21	0.92

Age Adjustments:

Age (in years)	Adjustment Factor
Under 45	1.00
45 and under 50	1.01
50 and under 55	1.02
55 and under 60	1.04
60 and under 65	1.07
65 and under 70	1.10
70 and under 75	1.13
75 and under 80	1.15
80 and over	1.17

DRG Adjustments:

MS-DRG	MS-DRG Descriptions	Adjustment Factor
056	Degenerative nervous system disorders w MCC	1.05
057	Degenerative nervous system disorders w/o MCC	1.05
080	Nontraumatic stupor & coma w MCC	1.07
081	Nontraumatic stupor & coma w/o MCC	1.07
876	O.R. procedure w principal diagnoses of mental illness	1.22
880	Acute adjustment reaction & psychosocial dysfunction	1.05
881	Depressive neuroses	0.99
882	Neuroses except depressive	1.02
883	Disorders of personality & impulse control	1.02
884	Organic disturbances & mental retardation	1.03
885	Psychoses	1.00
886	Behavioral & developmental disorders	0.99
887	Other mental disorder diagnoses	0.92
894	Alcohol/drug abuse or dependence, left AMA	0.97
895	Alcohol/drug abuse or dependence w rehabilitation therapy	1.02
896	Alcohol/drug abuse or dependence w/o rehabilitation therapy w MCC	0.88
897	Alcohol/drug abuse or dependence w/o rehabilitation therapy w/o MCC	0.88

Comorbidity Adjustments:

Comorbidity	Adjustment Factor
Developmental Disabilities	1.04
Coagulation Factor Deficit	1.13
Tracheostomy	1.06
Eating and Conduct Disorders	1.12
Infectious Diseases	1.07
Renal Failure, Acute	1.11
Renal Failure, Chronic	1.11
Oncology Treatment	1.07
Uncontrolled Diabetes Mellitus	1.05
Severe Protein Malnutrition	1.13
Drug/Alcohol Induced Mental Disorders	1.03
Cardiac Conditions	1.11
Gangrene	1.10
Chronic Obstructive Pulmonary Disease	1.12
Artificial Openings – Digestive & Urinary	1.08
Severe Musculoskeletal & Connective Tissue Diseases	1.09
Poisoning	1.11

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

CCRs	Rural	Urban
National Median	0.5720	0.4200
National Ceiling	2.0082	1.7131