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| CMS Manual System | Department of Health & Human Services (DHHS) |
| Pub 100-04 Medicare Claims Processing | Centers for Medicare & Medicaid Services (CMS) |
| Transmittal 3082 | Date: September 30, 2014 |
| | Change Request 8889 |

Transmittal 3034, issued August 22, 2014, is being rescinded and replaced by Transmittal 3082 to restore language in Chapter 3, section 190.4.3 erroneously overwritten from CR 8679, Transmittal 3030, issued August 22, 2014. All other information remains the same.

SUBJECT: Update-Inpatient Psychiatric Facilities Prospective Payment System (IPF PPS) Fiscal Year (FY) 2015

I. SUMMARY OF CHANGES: This Change Request (CR) identifies changes that are required as part of the annual IPF PPS update from the FY 2015 IPF PPS Final Rule, published on August 1, 2014. These changes are applicable to IPF discharges occurring during fiscal year October 1, 2014 through September 30, 2015. This Recurring Update applies to chapter 3, section 190.4.3.

EFFECTIVE DATE: October 1, 2014

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

IMPLEMENTATION DATE: October 6, 2014

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 | 3/190/190.4.3/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 obliged 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**

Attachment - Recurring Update Notification

| | | | |
|-------------|-------------------|--------------------------|----------------------|
| Pub. 100-04 | Transmittal: 3082 | Date: September 30, 2014 | Change Request: 8889 |
|-------------|-------------------|--------------------------|----------------------|

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IMPLEMENTATION DATE: October 6, 2014

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 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). CMS is required to make updates to this prospective payment system annually.

This Change Request (CR) identifies changes that are required as part of the annual IPF PPS update from the IPF Prospective Payment System Fiscal Year 2015 Final Rule, displayed on August 1, 2014. These changes are applicable to IPF discharges occurring during the fiscal year October 1, 2014 through September 30, 2015.

B. Policy: Fiscal Year 2015 Update to the IPF PPS

1. 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 has 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, CMS is applying a two percentage point reduction to the Federal per diem base rate and the ECT base rate as follows:

- For IPFs that fail to submit quality reporting data under the IPFQR program, CMS is applying a 0.1 percent annual update (that is 2.1 percent reduced by two percentage points in accordance with section 1886(s)(4)(A)(ii) of the Act) and the wage index budget neutrality factor of 1.0002 to the FY 2014 Federal per diem base rate of \$713.19, yielding a Federal per diem base rate of \$714.05 for FY 2015.
- Similarly, CMS is applying the 0.1 percent annual update and the 1.0002 wage index budget neutrality factor to the FY 2014 ECT base rate of \$307.04, yielding an ECT base rate of \$307.41 for

FY 2015.

2. Market Basket Update:

For FY 2015, CMS will use 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).

Section 1886(s)(2)(A)(ii) of the Act, requires the application of an “Other Adjustment” that reduces any update to the IPF PPS base rate by percentages specified in section 1886(s)(3) of the Act for RY beginning in 2010 through the FY beginning in 2019. For the FY beginning in 2014 (that is, FY 2015), section 1886(s)(3)(C) of the Act requires the reduction to be 0.3 percentage point. CMS is implementing that provision in this FY 2015 Final Rule.

In addition, 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, a RY that coincides with a FY), and each subsequent FY. For the FY beginning in 2014 (that is FY 2015), the reduction is 0.5 percentage point. CMS is implementing that provision in this FY 2015 Final Rule.

Specifically, CMS has updated the IPF PPS base rate for FY 2015 by applying the adjusted market basket update of 2.1 percent (which includes the RPL market basket increase of 2.9 percent, an ACA required 0.3 percent reduction to the market basket update, and an ACA required productivity adjustment reduction of 0.5 percent) and the wage index budget neutrality factor of 1.0002 to the FY 2014 Federal per diem base rate of \$713.19 yields a Federal per diem base rate of \$728.31 for FY 2015. Similarly, applying the adjusted market basket update of 2.1 percent and the wage index budget neutrality factor of 1.0002 to the FY 2014 ECT rate of \$307.04 yields an ECT rate of \$313.55 for FY 2015.

3. PRICER Updates: IPF PPS Fiscal Year 2015 (October 1, 2014 – September 30, 2015):

- The Federal per diem base rate is \$728.31.
- The Federal per diem base rate is \$714.05 (when applying the Two Percentage Point Reduction.)
- The fixed dollar loss threshold amount is \$8,755.
- The IPF PPS will use the FY 2014 unadjusted pre-floor, pre-reclassified hospital wage index.
- The labor-related share is 69.294 percent.
- The non-labor related share is 30.706 percent.
- The ECT rate is \$313.55
- The ECT rate is \$307.41 (when applying the Two Percentage Point Reduction.)

4. Provider Specific File (PSF) Updates:

No updates beyond standard maintenance.

5. The National Urban and Rural Cost to Charge Ratios for the IPF Prospective Payment System Fiscal Year 2015:

See Table A “Cost to Charge Ratio for the IPF Prospective Payment System Fiscal Year 2015” of attachment one.

6. MS-DRG Update

The code set and adjustment factors are unchanged for IPF Prospective Payment System FY 2015.

7. FY 2014 pre-floor, pre-reclassified hospital wage index

CMS is using the updated wage index and the wage index budget neutrality factor of 1.0002.

8. COLA Adjustment

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 the FY 2013 IPPS/LTCH final rule (77 FR 53700 through 53701), CMS established a new methodology to update the COLA factors for Alaska and Hawaii. In this FY 2015 IPF PPS update, CMS adopted this new COLA update methodology and CMS is updating the COLA rates (as published in FY 2014 IPPS/LTCH final rule (78 FR 50986), using the new methodology).

See **Table B: “COLA Adjustment for the IPF Prospective Payment System Fiscal Year 2015” of attachment one.**

II. BUSINESS REQUIREMENTS TABLE

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

| Number | Requirement | Responsibility | | | | | | | | | |
|--------|---|----------------|---|-------------|-------------|----------------------------------|-------------|-------------|-------------|-------|---------------|
| | | A/B MAC | | | D M E | Shared- System Maintainers | | | | Other | |
| | | A | B | H H H | | F I S S | M C S | V M S | C W F | | |
| 8889.1 | The IPF PPS Pricer shall include all FY 2015 IPF PPS updates. | | | | | | | | | | IPF Pricer |
| 8889.2 | FISS shall install and pay claims with the FY 2015 IPF PPS Pricer for discharges occurring on or after October 1, 2014. | | | | | X | | | | | |

III. PROVIDER EDUCATION TABLE

| Number | Requirement | Responsibility | | | | | |
|--------|--|----------------|---|-------------|-------------|------------------|-------------|
| | | A/B MAC | | | D M E | C E D I | |
| | | A | B | H H H | | | M A C |
| 8889.3 | MLN Article : A provider education article related to this instruction will be available at http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNMattersArticles/ shortly after the CR is released. You will receive notification of the article release via the | X | | | | | |

| Number | Requirement | Responsibility | | | | |
|--------|--|----------------|---|-------------|-------------|------------------|
| | | A/B MAC | | | D M E | C E D I |
| | | A | B | H H H | M A C | |
| | established "MLN Matters" listserv. Contractors shall post this article, or a direct link to this article, on their Web sites 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 the contractor's 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. | | | | | |

IV. SUPPORTING INFORMATION

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

"Should" denotes a recommendation.

| X-Ref Requirement Number | Recommendations or other supporting information: |
|--------------------------|--|
| | |

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

V. CONTACTS

Pre-Implementation Contact(s): Sarah Shirey-Losso, Sarah.Shirey-Losso@cms.hhs.gov , Dorothy Myrick, Dorothy.Myrick@cms.hhs.gov , Shauntari Cheely, Shauntari.Cheely@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

ATTACHMENT ONE

Table A: Cost to Charge Ratio for the IPF Prospective Payment System Fiscal Year 2015

| Cost to Charge Ratio | Median | Ceiling |
|-----------------------------|---------------|----------------|
| Urban | 0.4710 | 1.6582 |
| Rural | 0.6220 | 1.8590 |

CMS is applying the national 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.

Table B: COLA Adjustment for the IPF Prospective Payment System Fiscal Year 2015

| Area | Cost of Living Adjustment Factor |
|---|---|
| Alaska: | |
| 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 |
| Hawaii: | |
| City and County of Honolulu | 1.25 |
| County of Hawaii | 1.19 |
| County of Kauai | 1.25 |
| County of Maui and County of Kalawao | 1.25 |

190.4.3 - Annual Update

(Rev. 3082, Issued: 09-30-14, Effective: 10-01-14, Implementation: 10-06-14)

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 1 thereafter.

Effective with RY 2012, the IPF PPS payment rate update period will switch from a rate year that begins 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 will cover the 15 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 *diagnosis and procedure* coding changes (MS-DRG and comorbidities). 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, *diagnosis and procedure coding rules*, 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) and Fiscal Years (FYs) which are issued via 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

Change Requests can be accessed through the following CMS Transmittals Web site:

<http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientPsychFacilPPS/Inpatient-Psychiatric-Facility-PPS-Transmittals.html>