

WASHINGTON

perspectives

***An Analysis and Commentary on Federal Health Care Issues
by Larry Goldberg***

April 13, 2020

CMS Posts Proposed Inpatient Psychiatric Facilities PPS Update for FY 2021



The Centers for Medicare and Medicaid Services (CMS) have issued a proposed rule to update the Medicare Inpatient Psychiatric Facilities (IPFs) Prospective Payment System (PPS) for Fiscal Year (FY) 2021.

This proposed rule would update the prospective payment rates, the outlier threshold, and the wage index for Medicare inpatient hospital services provided by IPFs, which include psychiatric hospitals and excluded psychiatric units of an Inpatient Prospective Payment System hospital or critical access hospital. In addition, this proposed rule would adopt the most recent Office of Management and Budget (OMB) statistical area delineations, and apply a 2-year transition for all providers negatively impacted by wage index changes.

The rule will be published in the April 14 ***Federal Register***. A “display” copy of the 66-page document can be downloaded at:

<https://s3.amazonaws.com/public-inspection.federalregister.gov/2020-07870.pdf>. This link will change upon publication. A 60-day comment period ending June 9 is provided.

CMS says the overall economic impact of the proposed rule is an estimated \$100 million in increased payments to IPFs during FY 2020. This reflects a \$110 million increase from the update to the payment rates (+\$125 million from the 4th quarter 2019 IGI forecast of the 2016-based IPF market basket of 3.0 percent, and -\$15 million for the productivity adjustment of 0.4 percentage point), as well as a -\$10 million decrease as a result of the update to the outlier threshold amount. Outlier payments are estimated to change from 2.2 percent in FY 2020 to 2.0 percent of total estimated IPF payments in FY 2021.

Proposed Update to the FY 2021 to the IPF PPS

IPF Market Basket Increase

The IPF market basket increase factor for FY 2021 is estimated to be 3.0 percent.

The ***Affordable Care Act*** (ACA) requires a reduction to the market basket of a 10-year moving average Multi Factor Productivity (MFP) rate. CMS says this amount is estimated to be 0.4 percent. This results in a proposed FY 2021 IPF PPS payment rate update of 2.6 percent (3.0– 0.4 = **2.6**).

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Proposed Labor-Related Share

For FY 2021, the proposed labor-related share is **77.2 percent**.

Proposed Update of the Federal Per Diem Base Rate and Electroconvulsive Therapy Payment Per Treatment

The current (FY 2020) federal per diem base rate is \$798.55 and the ECT payment per treatment is \$343.79. For the proposed FY 2021 federal per diem base rate, CMS applied the payment rate update of 2.6 percent, that is, the IPF market basket increase for FY 2021 of 3.0 percent less the productivity adjustment of 0.4 percentage point and a wage index budget-neutrality factor of 0.9979 to the FY 2020 federal per diem base rate of \$798.55, yielding a proposed federal per diem base rate of **\$817.59** for FY 2021.

Similarly, CMS applied the 2.6 percent payment rate update and the 0.9979 wage index budget-neutrality factor to the FY 2020 ECT payment per treatment of \$343.79, yielding a proposed ECT payment per treatment of **\$351.99** for FY 2021.

For IPFs that fail to report Quality Reporting (IPFQR) Program requirements, the agency would reduce the update factor by 2.0 percent.

Proposed Updates to the IPF PPS Patient-Level Adjustment Factors

IPF PPS Patient-Level Adjustments

The IPF PPS includes a number of payment adjustments for patient-level characteristics: (1) Medicare Severity Diagnosis Related Groups (MS-DRGs) assignment of the patient’s principal diagnosis, (2) selected comorbidities, (3) patient age, and (4) the variable per diem adjustments. The following tables are from Addendum A. Addendum A is available at: <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientPsychFacilPPS/tools.html>. CMS is continuing these adjustments.

MS-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

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

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

	Adjustment Factor
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

Proposed Updates to the IPF PPS Facility-Level Adjustments

The IPF PPS includes facility-level adjustments for the wage index, IPFs located in rural areas, teaching IPFs, cost of living adjustments for IPFs located in Alaska and Hawaii, and IPFs with a qualifying ED.

Update to the Area Wage Index

Tables setting forth the FY 2021 Wage Index for Urban Areas Based on Core-Based Statistical Area (CBSA) Labor Market Areas and the FY 2021 Wage Index Based on CBSA Labor Market Areas for Rural Areas are available exclusively through the Internet, on the CMS website at: <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/IPFPPS/WageIndex.html>.

CMS is proposing to implement new OMB delineations as described in the September 14, 2018 OMB Bulletin No. 18-04, effective beginning with the FY 2021 IPF PPS wage index.

CMS says its analysis shows that a total of 34 counties (and county equivalents) and 5 providers are located in areas that were previously considered part of an urban CBSA but would be considered rural beginning in FY 2021 under these revised OMB delineations. The table below lists the 34 urban counties that would be rural if CMS finalizes its proposal to implement the revised OMB delineations.

**Counties Previously Considered Part of an Urban CBSA that Would
Become Rural Areas Under Revised OMB Delineations**

FIPS County Code	County/County Equivalent	State	Current CBSA	Labor Market Area
01127	Walker	AL	13820	Birmingham-Hoover, AL
12045	Gulf	FL	37460	Panama City, FL
13007	Baker	GA	10500	Albany, GA
13235	Pulaski	GA	47580	Warner Robins, GA
15005	Kalawao	HI	27980	Kahului-Wailuku-Lahaina, HI
17039	De Witt	IL	14010	Bloomington, IL
17053	Ford	IL	16580	Champaign--Urbana, IL
18143	Scott	IN	31140	Louisville/Jefferson County, KY-IN
18179	Wells	IN	23060	Fort Wayne, IN
19149	Plymouth	IA	43580	Sioux City, IA-NE-SD
20095	Kingman	KS	48620	Wichita, KS
21223	Trimble	KY	31140	Louisville/Jefferson County, KY-IN
22119	Webster	LA	43340	Shreveport-Bossier City, LA
26015	Barry	MI	24340	Grand Rapids-Wyoming, MI
26159	Van Buren	MI	28020	Kalamazoo-Portage, MI
27143	Sibley	MN	33460	Minneapolis-St. Paul-Bloomington, MN-WI
28009	Benton	MS	32820	Memphis, TN-MS-AR
29119	Mc Donald	MO	22220	Fayetteville-Springdale-Rogers, AR-MO
30037	Golden Valley	MT	13740	Billings, MT
31081	Hamilton	NE	24260	Grand Island, NE
38085	Sioux	ND	13900	Bismarck, ND
40079	Le Flore	OK	22900	Fort Smith, AR-OK
45087	Union	SC	43900	Spartanburg, SC
46033	Custer	SD	39660	Rapid City, SD
47081	Hickman	TN	34980	Nashville-Davidson-Murfreesboro-Franklin, TN
48007	Aransas	TX	18580	Corpus Christi, TX
48221	Hood	TX	23104	Fort Worth-Arlington, TX
48351	Newton	TX	13140	Beaumont-Port Arthur, TX
48425	Somervell	TX	23104	Fort Worth-Arlington, TX
51029	Buckingham	VA	16820	Charlottesville, VA
51033	Caroline	VA	40060	Richmond, VA
51063	Floyd	VA	13980	Blacksburg-Christiansburg-Radford, VA
53013	Columbia	WA	47460	Walla Walla, WA
53051	Pend Oreille	WA	44060	Spokane-Spokane Valley, WA

CMS is proposing that the wage data for all providers located in the counties listed above would now be considered rural, beginning in FY 2021, when calculating their respective state’s rural wage index.

CMS says an analysis of OMB labor market area delineations shows that a total of 47 counties (and county equivalents) and 4 providers are located in areas that were previously considered rural but would now be considered urban under the revised OMB delineations.

Counties that Would Gain Urban Status Under Revised OMB Delineations

FIPS County Code	County/County Equivalent	State Name	New CBSA	Counties
01063	Greene	AL	46220	Tuscaloosa, AL
01129	Washington	AL	33660	Mobile, AL
05047	Franklin	AR	22900	Fort Smith, AR-OK
12075	Levy	FL	23540	Gainesville, FL
13259	Stewart	GA	17980	Columbus, GA-AL
13263	Talbot	GA	17980	Columbus, GA-AL
16077	Power	ID	38540	Pocatello, ID
17057	Fulton	IL	37900	Peoria, IL
17087	Johnson	IL	16060	Carbondale-Marion, IL
18047	Franklin	IN	17140	Cincinnati, OH-KY-IN
18121	Parke	IN	45460	Terre Haute, IN
18171	Warren	IN	29200	Lafayette-West Lafayette, IN
19015	Boone	IA	11180	Ames, IA
19099	Jasper	IA	19780	Des Moines-West Des Moines, IA
20061	Geary	KS	31740	Manhattan, KS
21043	Carter	KY	26580	Huntington-Ashland, WV-KY-OH
22007	Assumption	LA	12940	Baton Rouge, LA
22067	Morehouse	LA	33740	Monroe, LA
25011	Franklin	MA	44140	Springfield, MA
26067	Ionia	MI	24340	Grand Rapids-Kentwood, MI
26155	Shiawassee	MI	29620	Lansing-East Lansing, MI
27075	Lake	MN	20260	Duluth, MN-WI
28031	Covington	MS	25620	Hattiesburg, MS
28051	Holmes	MS	27140	Jackson, MS
28131	Stone	MS	25060	Gulfport-Biloxi, MS
29053	Cooper	MO	17860	Columbia, MO
29089	Howard	MO	17860	Columbia, MO
30095	Stillwater	MT	13740	Billings, MT
37007	Anson	NC	16740	Charlotte--Concord-Gastonia, NC-SC
37029	Camden	NC	47260	Virginia Beach-Norfolk-Newport News, VA-NC

FIPS County Code	County/County Equivalent	State Name	New CBSA	Counties
37077	Granville	NC	20500	Durham-Chapel Hill, NC
37085	Harnett	NC	22180	Fayetteville, NC
39123	Ottawa	OH	45780	Toledo, OH
45027	Clarendon	SC	44940	Sumter, SC
47053	Gibson	TN	27180	Jackson, TN
47161	Stewart	TN	17300	Clarksville, TN-KY
48203	Harrison	TX	30980	Longview, TX
48431	Sterling	TX	41660	San Angelo, TX
51097	King and Queen	VA	40060	Richmond, VA
51113	Madison	VA	47894	Washington-Arlington-Alexandra, DC-VA-MD-WV
51175	Southampton	VA	47260	Virginia Beach-Norfolk-Newport News, VA-NC
51620	Franklin City	VA	47260	Virginia Beach-Norfolk-Newport News, VA-NC
54035	Jackson	WV	16620	Charleston, WV
54065	Morgan	WV	25180	Hagerstown-Martinsburg, MD-WV
55069	Lincoln	WI	48140	Wausau-Weston, WI
72001	Adjuntas	PR	38660	Ponce, PR
72083	Las Marias	PR	32420	Mayagüez, PR

CMS has identified 49 IPF providers located in the affected counties listed in the table below. If providers located in these counties move from one CBSA to another under the revised OMB delineations, there may be impacts, both negative and positive, upon their specific wage index values.

Urban Counties That Would Move to a Newly Proposed or Modified CBSA Under Revised OMB Delineations

FIPS County Code	County Name	State	Current CBSA	Current CBSA Name	New CBSA Code	Proposed CBSA Name
17031	Cook	IL	16974	Chicago-Naperville-Arlington Heights, IL	16984	Chicago-Naperville-Evanston, IL
17043	Du Page	IL	16974	Chicago-Naperville-Arlington Heights, IL	16984	Chicago-Naperville-Evanston, IL
17063	Grundy	IL	16974	Chicago-Naperville-Arlington Heights, IL	16984	Chicago-Naperville-Evanston, IL
17093	Kendall	IL	16974	Chicago-Naperville-Arlington Heights, IL	20994	Elgin, IL
17111	Mc Henry	IL	16974	Chicago-Naperville-Arlington Heights, IL	16984	Chicago-Naperville-Evanston, IL
17197	Will	IL	16974	Chicago-Naperville-Arlington Heights, IL	16984	Chicago-Naperville-Evanston, IL
34023	Middlesex	NJ	35614	New York-Jersey City-White Plains, NY-NJ	35154	New Brunswick-Lakewood, NJ

FIPS County Code	County Name	State	Current CBSA	Current CBSA Name	New CBSA Code	Proposed CBSA Name
34025	Monmouth	NJ	35614	New York-Jersey City-White Plains, NY-NJ	35154	New Brunswick-Lakewood, NJ
34029	Ocean	NJ	35614	New York-Jersey City-White Plains, NY-NJ	35154	New Brunswick-Lakewood, NJ
34035	Somerset	NJ	35084	Newark, NJ-PA	35154	New Brunswick-Lakewood, NJ
36027	Dutchess	NY	20524	Dutchess County-Putnam County, NY	39100	Poughkeepsie-Newburgh-Middletown, NY
36071	Orange	NY	35614	New York-Jersey City-White Plains, NY-NJ	39100	Poughkeepsie-Newburgh-Middletown, NY
36079	Putnam	NY	20524	Dutchess County- Putnam County, NY	35614	New York-Jersey City-White Plains, NY-NJ
47057	Grainger	TN	28940	Knoxville, TN	34100	Morristown, TN
54043	Lincoln	WV	26580	Huntington-Ashland, WV-KY-OH	16620	Charleston, WV
72055	Guanica	PR	38660	Ponce, PR	49500	Yauco, PR
72059	Guayanilla	PR	38660	Ponce, PR	49500	Yauco, PR
72111	Penuelas	PR	38660	Ponce, PR	49500	Yauco, PR
72153	Yauco	PR	38660	Ponce, PR	49500	Yauco, PR

Proposed Transition Policy for Providers Negatively Impacted by Wage Index Changes

CMS says it will provide a “2-year transition” to providers adversely impacted by the proposed adoption of the revised CBSA delineations to be phased in over 2 years. For FY 2021, where the estimated reduction in an IPF’s wage index would be capped at 5.0 percent. No cap would be applied to the reduction in the wage index for the second year, that is, FY 2022.

Proposed Adjustment for Rural Location

CMS is proposing to continue to apply a 17 percent payment adjustment for IPFs located in a rural area.

Outlier Update

CMS established a 2.0 percent outlier policy. Based on an analysis of updated data, CMS estimates that IPF outlier payments as a percentage of total estimated payments are approximately 2.2 percent in FY 2020. Therefore, CMS proposes to update the outlier threshold amount to

Therefore, CMS is proposing to update the outlier threshold amount to **\$16,520** to maintain estimated outlier payments at 2.0 percent of total estimated aggregate IPF payments for FY 2021. This proposed rule update is an increase from the FY 2020 threshold of \$14,960.