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perspectives

An Analysis and Commentary on Federal Health Care Issues
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CMS Finalizes Inpatient Psychiatric Facilities PPS Update for FY 2020



The Centers for Medicare and Medicaid Services (CMS) have issued a final rule to update the Medicare Inpatient Psychiatric Facilities (IPFs) Prospective Payment System (PPS) for Fiscal Year (FY) 2020.

The rule will update the prospective payment rates, the outlier threshold, and the wage index. Additionally, the rule will revise and rebase the IPF market basket to reflect a 2016 base year and use the concurrent hospital wage data as the basis of the IPF wage index rather than using the prior year's hospital wage data. Finally, the rule updates the Inpatient Psychiatric Facility Quality Reporting (IPFQR) Program.

These changes will be effective for IPF discharges beginning during the fiscal year (FY) from October 1, 2019 through September 30, 2020 (FY 2020).

The rule is to be published in the August 6 **Federal Register**. A "display" copy of the 166-page document can be downloaded at: <https://s3.amazonaws.com/public-inspection.federalregister.gov/2019-16370.pdf> This link will change upon publication.

Comment

CMS says the overall economic impact of the rule is an estimated \$65 million in increased payments to IPFs during FY 2020. This is a decrease from the proposed increase of \$75million. The reduction appears to stem from a reduction in expected outlier payments as noted below.

This reflects an \$75 million increase from the update to the payment rates (+\$125 million from the second quarter 2019 IGI forecast of the 2016-based IPF market basket of 2.9 percent, -\$15 million for the productivity adjustment of 0.4 percentage point, and -\$35 million for the "other adjustment" of 0.75 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 2.23 percent in FY 2019 to 2.00 percent of total estimated IPF payments in FY 2020.

Update to the FY 2020 Market Basket for the IPF PPS

The IPF market basket increase factor for FY 2020 is now estimated to be 2.9 percent. It was proposed at 3.1 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. It was proposed at 0.5 percent. In addition, the FY 2020 market basket update is further reduced by 0.75 percentage point as also required by the ACA. This results in a final FY 2020 IPF PPS payment rate update of 1.75 percent ($2.9 - 0.4 - 0.75 = 1.75$).

Rebasing and Revising of the Market Basket for the IPF PPS

CMS will, as proposed, rebase and revise the 2012-based IPF market basket to a 2016 base year.

Labor-Related Share for FY 2020

The update to the labor-related share will be **76.9 percent**. It is currently 74.8 percent. The change is a result of rebasing the market basket.

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

The current (FY 2019) federal per diem base rate is \$782.78. For the FY 2020 federal per diem base rate, CMS applied the payment rate update of 1.75 percent (that is, the 2016-based IPF market basket increase for FY 2020 of 2.9 percent less the productivity adjustment of 0.4 percentage point, and further reduced by the 0.75 percentage point required by the ACA, and a wage index budget-neutrality factor of 1.0026 to the FY 2019 federal per diem base rate of \$782.78, yielding a federal per diem base rate of **\$798.55** for FY 2020.

For IPFs that fail requirements under the Inpatient Psychiatric Facilities Quality Reporting (IPFQR) Program, CMS applied a -0.25 percent payment rate update (that is, the IPF market basket increase for FY 2020 of 2.9 percent less the productivity adjustment of 0.4 percentage point, further reduced by the 0.75 percentage point for an update of 1.75 percent, and further reduced by 2.0 percentage points in accordance with section 1886(s)(4)(A)(ii) of the Act, which results in a negative update percentage) and the wage index budget-neutrality factor of 1.0026 to the FY 2019 federal per diem base rate of \$782.78, yielding a federal per diem base rate of \$782.85 for FY 2020.

Similarly, CMS applied the 1.75 percent payment rate update and the 1.0026 wage index budget neutrality factor to the FY 2019 ECT payment per treatment of \$337.00, yielding an ECT proposed payment per treatment of **\$343.79** for FY 2020.

For IPFs that fail to meet requirements under the IPFQR Program, CMS applied the -0.25 percent annual payment rate update and the 1.0026 wage index budget neutrality factor to the FY 2019 ECT payment per treatment of \$337.00, yielding an ECT payment per treatment of \$337.03 for FY 2020.

Update to the Area Wage Index

Tables setting forth the FY 2020 Wage Index for Urban Areas Based on Core-Based Statistical Area (CBSA) Labor Market Areas and the FY 2020 Wage Index Based on CBSA Labor Market Areas for Rural Areas are available on the CMS website at: <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/IPFPPS/WageIndex.html>.

CMS will align IPF wage index data with the concurrent IPPS wage index data by removing the 1-year lag of the pre-floor, pre-reclassified IPPS hospital wage index upon which the IPF wage index is based.

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>.

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

Comorbidity	Adjustment Factor
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
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

	Adjustment Factor
Day 20	0.95
Day 21	0.95
After Day 21	0.92

Facility Adjustments

Rural Adjustment Factor	1.17
Teaching Adjustment Factor	0.5150

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 2.23 percent in FY 2019. Therefore, CMS will update the outlier threshold amount to **\$14,960** to maintain estimated outlier payments at 2.0 percent of total estimated aggregate IPF payments for FY 2020. The current threshold is \$12,865.

Inpatient Psychiatric Facilities Quality Reporting (IPFQR) Program

The previously finalized number of measures for the FY 2021 payment determination and subsequent years totaled 13. CMS is adopting one additional measure for the FY 2021 payment determination and subsequent years which will bring the total to 14.

The new measure is "New Quality Measure for the FY 2021 Payment Determination and Subsequent Years – Medication Continuation Following Inpatient Psychiatric Discharge (NQF #3205)."

Previously Finalized and Newly Proposed Measures for the FY 2021 Payment Determination and Subsequent Years

NQF #	Measure ID	Measure
0640	HBIPS-2	Hours of Physical Restraint Use
0641	HBIPS-3	Hours of Seclusion Use
0560	HBIPS-5	Patients Discharged on Multiple Antipsychotic Medications with Appropriate Justification
0576	FUH	Follow-up After Hospitalization for Mental Illness
N/A*	SUB-2 and SUB-2a	Alcohol Use Brief Intervention Provided or Offered and SUB-2a Alcohol Use Brief Intervention
N/A*	SUB-3 and SUB-3a	Alcohol and Other Drug Use Disorder Treatment Provided or Offered at Discharge and SUB-3a. Alcohol and Other Drug Use Disorder Treatment at Discharge
N/A*	TOB-2 and TOB-2a	Tobacco Use Treatment Provided or Offered and TOB-2a Tobacco Use Treatment
N/A*	TOB-3 and TOB-3a	Tobacco Use Treatment Provided or Offered at Discharge and Tobacco Use Treatment at Discharge
1659	IMM-2	Influenza Immunization

NQF #	Measure ID	Measure
N/A*	N/A	Transition Record with Specified Elements Received by Discharged Patients (Discharges from an Inpatient Facility to Home/Self Care or Any Other Site of Care)
N/A*	N/A	Timely Transmission of Transition Record (Discharges from an Inpatient Facility to Home/Self Care or Any Other Site of Care)
N/A	N/A	Screening for Metabolic Disorders
2860	N/A	Thirty-Day All-Cause Unplanned Readmission Following Psychiatric Hospitalization in an Inpatient Psychiatric Facility
3205	N/A	Medication Continuation following Discharge from an IPF

Final Thoughts

This is a well written and easy to follow rule. It would be even easier to read if CMS would delete much of the rule’s content regarding past history.

It is interesting there were so few comments to the proposed rule. “We received 24 comments on the FY 2020 IPF PPS proposed rule, with some commenters addressing multiple issues. We received 4 comments on payment policy issues, 19 comments on quality issues, and 6 comments that were outside of the scope of the proposed rule.”

As noted, most comments center on quality issues. As we have said many times, quality is becoming more and more burdensome and costly. The real question is quality truly accomplishing its objectives?