

WASHINGTON

perspectives

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

April 18, 2019

CMS Releases Proposed Inpatient Psychiatric Facilities PPS Update for FY 2020



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) 2020.

The proposal would update the prospective payment rates, the outlier threshold, and the wage index. Additionally, the proposed rule would 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 proposed rule proposes updates to the Inpatient Psychiatric Facility Quality Reporting (IPFQR) Program.

The rule is to be published in the April 23rd **Federal Register**. A "display" copy of the 156-page document can be downloaded at:

<https://s3.amazonaws.com/public-inspection.federalregister.gov/2019-07884.pdf>. This link will change upon publication.

Comment

CMS says the overall economic impact of the proposed rule is an estimated \$75 million in increased payments to IPFs during FY 2020.

Update to the FY 2020 Market Basket for the IPF PPS

The IPF market basket increase factor for FY 2020 is estimated to be 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 0.5 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 proposed FY 2020 IPF PPS payment rate update of 1.85 percent ($3.1 - 0.5 - 0.75 = 1.85$).

Proposed Rebasing and Revising of the Market Basket for the IPF PPS

CMS is proposing to rebase and revise the 2012-based IPF market basket to a 2016 base year.

Proposed Labor-Related Share for FY 2020

The update to the labor-related share would be **76.8 percent**. It is currently 74.8 percent. The change is a result of rebasing the market basket.

	Proposed FY 2020 Labor-Related Share based on Proposed 2016-based IPF Market Basket¹	FY 2019 Final Labor-Related Share based on 2012-based IPF Market Basket²
Wages and Salaries	52.3	52.0
Employee Benefits	13.7	13.2
Professional Fees: Labor-related ³	4.4	2.8
Administrative and Facilities Support Services	0.6	0.7
Installation, Maintenance and Repair	1.3	1.6
All Other: Labor-related Services	1.4	1.5
Subtotal	73.7	71.8
Labor-related portion of capital (46%)	3.1	3.0
Total LRS	76.8	74.8

1 IHS Global Inc. 4th quarter 2018 forecast.

2 Based on IHS Global Inc. 2nd quarter 2018 forecast as published in the Federal Register (83 FR 38579).

3. Includes all contract advertising and marketing costs and a portion of accounting, architectural, engineering, legal, management consulting, and home office contract labor costs.

Proposed 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 and the ECT payment per treatment is \$337.00. For the FY 2020 federal per diem base rate, CMS is applying the payment rate update of 1.85 percent and a wage index budget-neutrality factor of 1.0078 to the FY 2019 federal per diem base rate of \$782.78, yielding a proposed federal per diem base rate of **\$803.48** for FY 2020.

Similarly, CMS applied the 1.85 percent payment rate update and the 1.0078 wage index budget neutrality factor to the FY 2018 ECT payment per treatment, yielding an ECT proposed payment per treatment of **\$345.91** for FY 2020.

For IPFs that fail to report Quality Reporting (IPFQR) Program requirements, the agency applied a -0.15 percent payment rate update. (1.85-2.0=-.15). The federal per diem base rate would be \$787.70 for FY 2020, and the ECT would be \$339.12.

Proposed 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 exclusively through the Internet, on the CMS website at:
<https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/IPFPPS/WageIndex.html>.

CMS would 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.

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>.

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 2.15 percent in FY 2019. Therefore, CMS proposes to update the outlier threshold amount to **\$14,590** 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 totals 13. In this proposed rule, CMS is proposing to adopt one additional measure for the FY 2021 payment determination and subsequent years which, if finalized as proposed, would bring the total to 14. The new measure would be “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
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