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Inpatient Psychiatric Facilities Prospective Payment System (IPF PPS) Updates for Fiscal Year (FY) 2019

MLN Matters Number: MM10880
Related Change Request (CR) Number: 10880
Related CR Release Date: August 3, 2018
Effective Date: October 1, 2018
Related CR Transmittal Number: R4104CP
Implementation Date: October 1, 2018

PROVIDER TYPES AFFECTED

This MLN Matters Article is intended for Inpatient Psychiatric Facilities (IPFs) billing Medicare Administrative Contractors (MACs) for services provided to Medicare beneficiaries.

PROVIDER ACTION NEEDED

Change Request (CR) 10880 identifies required changes as part of the annual IPF PPS update established in the Medicare Program; FY 2019 Inpatient Psychiatric Facilities Prospective Payment System and Quality Reporting Updates for Fiscal Year Beginning October 1, 2018 (FY 2019) Final Rule. These changes are applicable to discharges occurring from October 1, 2018through September 30, 2019 (FY 2019), and they relate to Chapter 3, Section 190.49 of the Medicare Claims Processing Manual. This update includes technical corrections and updates to various parts of Section 190 from prior rulemaking. Please make sure your billing staffs are aware of these updates.

BACKGROUND

On November 15, 2004, the Centers for Medicare & Medicaid Services (CMS) published in the Federal Register a final rule that established the IPF PPS under the Medicare program in accordance with provisions of Section 124 of Public Law 106-113, the Medicare, Medicaid, and State Children's Health Insurance Program (CHIP) 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 (that is, bad debts and graduate medical education). CMS is required to make updates to this IPF PPS annually.

Market Basket Update:

For FY 2019, CMS is using the 2012-based IPF market basket to update the IPF PPS payment rates (that is, the Federal per-diem base rate and Electroconvulsive Therapy (ECT) payment per treatment). The 2012-based IPF market basket update for FY 2019 is 2.9 percent. However, this

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2.9 percent is subject to two reductions required by the Social Security Act (the Act).

1) Section 1886(s)(2)(A)(ii) of the Act requires the application of an "other adjustment" that reduces any update to the IPF market basket update by percentages specified in Section 1886(s)(3) of the Act for Rate Year (RY) beginning in 2010 through the RY beginning in 2019. For the FY beginning in 2018 (that is, FY 2019), Section 1886(s)(3)(E) of the Act requires the reduction to be 0.75 percentage points. CMS implemented that provision in the FY 2019 IPF PPS and Quality Reporting Updates Final Rule.
2) 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, the RY that coincides with a FY), and each subsequent RY. For the FY beginning in 2018 (that is, FY 2019), the reduction is 0.8 percent. CMS implemented that provision in the FY 2019 IPF PPS and Quality Reporting Updates Final Rule.

Therefore, CMS updates the IPF PPS base rate for FY 2019 by applying the adjusted market basket update of 1.35 percent (which includes the 2012-based IPF market basket update of 2.9 percent, the 0.75 percentage point reduction to the market basket update required by the Affordable Care Act, and a required productivity adjustment reduction of 0.8 percent), and the wage index budget neutrality factor of 1.0013 to the FY 2018 Federal per-diem base rate of $771.35, yielding a FY 2019 Federal per-diem base rate of $782.78.

Similarly, applying the adjusted market basket update of 1.35 percent and the wage index budget neutrality factor of 1.0013 to the FY 2018 Electroconvulsive Therapy (ECT) payment per treatment of $332.08 yields an ECT payment per treatment of $337.00 for FY 2019.

IPF 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 initial 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 FY, the Secretary shall reduce any annual update to a standard Federal rate for discharges occurring during the FY by 2 percentage points for any IPF that does not comply with the quality data submission requirements with respect to an applicable year. Therefore, a 2-percentage-point reduction is applied when calculating the Federal per-diem base rate and the ECT payment per treatment:

- For IPFs that failed to submit quality reporting data under the IPFQR program, for FY 2019, CMS applied a -0.65 percent payment rate update (a negative update that reflects the IPF market basket increase for FY 2019 of 2.9 percent, less the productivity adjustment of 0.8 percentage point, reduced by the Affordable Care Act required 0.75 percent point, and further reduced by 2 percentage points in accordance with section

1886(s)(4)(A)(ii) of the Act) and the wage index budget neutrality factor of 1.0013 to the FY 2018 Federal per diem base rate of $771.35, yielding a FY 2019 Federal per diem base rate of $767.33.

- Similarly, for FY 2019, CMS applied a -0.65 percent payment rate update to the FY 2018 ECT payment per treatment of $332.08, yielding a FY 2019 ECT payment per treatment of $330.35.

PRICER Updates: IPF PPS FY 2019 (October 1, 2018 - September 30, 2019)

- The Federal per-diem base rate is $782.78 for IPFs that complied with quality data submission requirements.
- The Federal per-diem base rate is $767.33, when applying the 2-percentage-point reduction, for IPFs that failed to comply with quality data submission requirements.
- The fixed dollar loss threshold amount is $12,865.
- The IPF PPS wage index is based on the FY 2018 pre-floor, pre-reclassified acute care hospital wage index.
- The labor-related share is 74.8 percent.
- The non-labor-related share is 25.2 percent.
- The ECT payment per treatment is $337.00 for IPFs that complied with quality data submission requirements.
- The ECT payment per treatment is $330.35 when applying the 2-percentage-point reduction for IPFs that failed to comply with quality data submission requirements.

Provider-Specific File (PSF) Updates

The FY 2019 IPF PPS wage index uses the most recent Office of Management and Budget (OMB) statistical area delineations to identify a facility's urban or rural status for the purpose of determining if a rural adjustment will apply to the facility. There were no changes made to the OMB designations in the FY 2019 IPF PPS wage index. For FY 2019, no IPFs should have any special pay indicators or receive any wage index value other than those given in the FY 2019 IPF PPS wage index.

The National Urban and Rural Cost to Charge Ratios for the IPF PPS FY 2019

CMS is applying the national Cost-to-Charge Ratios 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.

The CCRs are:

- National Median CCRs
  - Rural - 0.5890
  - Urban - 0.4365
- National Ceiling CCRs
  - Rural - 2.0068
  - Urban - 1.6862

The Cost of Living Adjustments (COLAs) factor for IPF PPS Fiscal Year 2019 for Alaska and Hawaii is 1.25, except for the County of Hawaii, for which the factor is 1.21.

ICD-10 CM/PCS Updates

For FY 2019, the IPF PPS adjustment factors are unchanged from those used in FY 2018. However, CMS updated the ICD-10-CM/PCS code set, effective October 1, 2018. 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 2019 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 2019 IPF PPS comorbidity categories are available at https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientPsychFacilPPS/tools.html.

There were no changes from FY 2018 to FY 2019 to the IPF Code First list or the IPF ECT procedure code list.

FY 2019 IPF PPS Wage Index

The FY 2019 final IPF PPS wage index is available at https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientPsychFacilPPS/WageIndex.html.

Rural Adjustment

For FY 2019, IPFs designated as “rural” continue to receive a 17-percent rural adjustment.

ADDITIONAL INFORMATION

The official instruction, CR10880, issued to your MAC regarding this change is available at https://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/2018Downloads/R4104CP.pdf.

If you have questions, your MACs may have more information. Find their website at http://go.cms.gov/MAC-website-list.

DOCUMENT HISTORY

Date of Change	Description
August 3, 2018	Initial article released.