

NCHA Financial Feature



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CMS Releases Final Inpatient Psychiatric Facilities PPS Update for FY 2019

The Centers for Medicare and Medicaid Services (CMS) has issued a rule to update the Medicare Inpatient Psychiatric Facilities (IPFs) Prospective Payment System (PPS) for Fiscal Year (FY) 2019.

The rule is to be published in the Aug. 6 **Federal Register**. A “display” copy of the 172-page document is at: <https://s3.amazonaws.com/public-inspection.federalregister.gov/2018-16518.pdf>. This link will change upon publication in the **Federal Register**.

This final rule also updates the IPF labor-related share, the IPF wage index for FY 2019, and the International Classification of Diseases 10th Revision, Clinical Modification (ICD-10-CM) codes. It also makes technical corrections to the IPF regulations, and updates quality measures and reporting requirements.

Comment

The rule does not have a table of contents.

CMS estimates that the total impact of these changes for FY 2019 compared to FY 2018 will be a net increase of approximately \$50 million. This reflects a \$60 million increase from the update to the payment rates (+\$130 million from the second quarter 2018 IHS Global Insight, Inc. (IGI) forecast of the market basket of 2.9 percent, -\$40 million for the productivity adjustment of 0.8 percentage point, and - \$30 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 decrease from 2.24 percent in FY 2018 to 2.00 percent of total estimated IPF payments in FY 2019.

Page numbers in red pertain to the material in the display copy.

Provisions of the FY 2019 IPF PPS Rule

Update to the FY 2019 Market Basket for the IPF PPS (Page 14)

The final IPF market basket increase factor for FY 2019 is 2.9 percent. It was proposed at 2.8 percent.

The Affordable Care Act (ACA) requires a reduction to the market basket for a 10-year moving average of a Multi Factor Productivity (MFP). CMS says this amount is 0.8 percent.

In addition, the FY 2019 market basket update is further reduced by 0.75 percentage point as also required by the ACA.

This results in a FY 2019 IPF PPS payment rate update of 1.35 percent ($2.9 - 0.8 - 0.75 = 1.35$).

IPF Labor-Related Share (Page 16)

The update to the labor-related share will be **74.8** percent. The current factor is 75.0 percent.

Update of the Federal Per Diem Base Rate and Electroconvulsive Therapy (ECT) Payment Per Treatment (Page 20)

The current (FY 2018) federal per diem base rate is \$771.35 and the ECT payment per treatment is \$332.08.

CMS increased the FY 2018 amounts by 1.35 percent (that is the market basket increase for FY 2019 of 2.9 percent less the productivity adjustment of 0.8 percentage point, and further reduced by the 0.75 percentage point required under section 1886(s)(3)(E) 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 federal per diem base rate of **\$782.78** for FY 2019. Similarly, CMS applied the 1.35 percent payment rate update and the 1.0013 wage index budget neutrality factor to the FY 2018 ECT payment per treatment, yielding an ECT payment per treatment of **\$337.00** for FY 2019.

For IPFs that fail requirements under the Inpatient Psychiatric Facilities Quality Reporting (IPFQR) Program, the federal per diem base rate will be \$767.33, and the ECT amount will be \$330.35.

Update to the Wage Index (Page 21)

The FY 2019 wage index budget neutrality factor will be 1.0013. The FY 2019 IPF wage index is online at <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientPsychFacIPPS>.

Updates to the IPF PPS Patient-Level Adjustment Factors (Page 21)

IPF PPS Patient-Level Adjustments

The IPF PPS includes payment adjustments for the following 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/InpatientPsychFacIPPS/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

MS-DRG	MS-DRG Descriptions	Adjustment Factor
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
Day 4	1.05

	Adjustment Factor
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

Facility Adjustments

Rural Adjustment Factor	1.17
Teaching Adjustment Factor	0.5150

Outlier Update (Page 47)

CMS is updating the outlier threshold amount to **\$12,865** to maintain estimated outlier payments at 2.0 percent of total estimated aggregate IPF payments for FY 2019. This final rule update is a decrease from the proposed threshold of \$12,935. The current amount is \$11,425.

Inpatient Psychiatric Facilities Quality Reporting (IPFQR) Program (Page 58)

The current IPFQR Program includes 18 measures. CMS proposed to remove eight measures from the IPFQR. However, CMS is only removing five effective FY 2020. They are identified in red below.

NQF #	Measure ID	Measure
0640	HBIPS-2	Hours of Physical Restraint Use
0641	HBIPS-3	Hours of Seclusion Use
560	HBIPS-5	Patients Discharged on Multiple Antipsychotic Medications with Appropriate Justification
576	FUH	Follow-up After Hospitalization for Mental Illness
1661	SUB-1	Alcohol Use Screening
1663	SUB-2 and SUB-2a	Alcohol Use Brief Intervention Provided or Offered and SUB-2a Alcohol Use Brief Intervention
1664	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
1651	TOB-1	Tobacco Use Screening
1654	TOB-2 and TOB-2a	Tobacco Use Treatment Provided or Offered and TOB-2a Tobacco Use Treatment
1656	TOB-3 and TOB-3a	Tobacco Use Treatment Provided or Offered at Discharge and Tobacco Use Treatment at Discharge
1659	IMM-2	Influenza Immunization
0431	N/A	Influenza Vaccination Coverage Among Healthcare Personnel
647	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)
648	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
N/A	N/A	Assessment of Patient Experience of Care
N/A	N/A	Use of an Electronic Health Record

Our Washington liaison, Larry Goldberg of Larry Goldberg Consulting, has provided us with this summary and comments. For questions, please contact Jeff Weegar, NCHA, at 919-677-4231, jweegar@ncha.org or Ronnie Cook, NCHA, at 919-677-4225, rcook@ncha.org.