



SUMMARY OF PROPOSED RULE — MAY 2019

FFY 2020 Medicare Inpatient Psychiatric Facilities Prospective Payment System

In the April 23 *Federal Register*, the Centers for Medicare & Medicaid Services (CMS) published its [proposed rule](#) addressing rate updates and policy changes to the Medicare inpatient psychiatric facilities (IPF) prospective payment system (PPS) for federal fiscal year (FFY) 2020. The policy and payment provisions — if finalized — would be effective for FFY 2020 discharges, beginning October 1.

A copy of the proposed rule and other resources related to the IPF PPS are available on the [CMS website](#). The following is a comprehensive summary of the proposed rule's provisions. Additional information is available at www.calhospital.org/regulatory-tracker.

For Additional Information

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IPF Payment Changes for FFY 2020

Market Basket Update

CMS periodically rebases the market basket to reflect the changes in the goods and services needed to furnish IPF services. CMS proposes to rebase and revise the IPF market basket to reflect a 2016 base year rather than the current 2012 base year for both freestanding and hospital-based IPFs. For FFY 2020, CMS proposes the IPF-specific market basket factor at 3.1%. Current law requires CMS to adjust the market basket by negative 0.75% and an additional reduction of 0.5% for multifactor productivity, bringing the total proposed market basket update to 1.85%. CMS estimates these updates will result in an increase of approximately \$75 million compared to FFY 2019. As a reminder, failure to submit IPF quality data would reduce the market basket by 2%.

Below is a table summarizing CMS' estimates of the impact of all payment and policy updates included in the proposed rule.

CMS Estimates of FFY 2020 Payment Impacts

Facility Type	% Change
All Facilities	1.70%
Urban Freestanding	1.92%
Urban Units	1.54%
Rural Freestanding	1.80%
Rural Units	1.56%
Pacific Region	3.07%

*Source: Table 25 of proposed rule (Pages 16999-17000)

The IPF PPS is based on a standardized federal per diem base rate, calculated from IPF average per diem costs and adjusted for budget neutrality. CMS proposes a wage index budget neutrality adjustment of 1.0078. Below are the proposed IPF per diem base rates and electroconvulsive therapy (ECT) base rates for hospitals that successfully report data under the IPF Quality Reporting Program (QRP), as well as those for hospitals that do not successfully report.

Proposed Federal Per Diem and ECT Rate for FFY 2020

	Providers that successfully report IPF QRP	Providers that <u>DO NOT</u> successfully report IPF QRP
IPF Per Diem Base Rate	\$803.48	\$787.70
ECT Base Rate	\$345.91	\$339.12

Area Wage Index and Labor-Related Share

An IPF's wage index is calculated using the inpatient prospective payment system (IPPS) wage index for the labor market area in which the IPF is located, without accounting for geographic reclassifications, wage index floors and other adjustments made to the wage index under the IPPS. For FFY 2020, CMS proposes to estimate the labor-related portion of the IPF standard rate using the proposed rebased 2016 IPF market basket. CMS proposes to continue to adjust for differences in area wage levels using a wage index. However, CMS proposes to eliminate the current one-year lag in the wage index data by using the concurrent fiscal year's pre-rural floor, pre-reclassified IPPS wage index for the IPF PPS wage index beginning FFY 2020 and continuing for all subsequent years. If finalized, this proposed change will be implemented in a budget-neutral manner, so that total payments will not be affected but there will be a distributional effect. A table — partially reproduced below — that lists the distributional effect is provided in the *Federal Register* pages 16974 – 16975.

Distributional Effects of the Proposed Changes to the IPF Wage Index Methodology

Facility Type	Estimated Impact of Wage Index Update under Current Methodology	Estimated Impact of Wage Index Update under Proposed Methodology
All Facilities	0.00%	0.00%
Urban Freestanding	0.13%	0.12%
Urban Units	0.04%	-0.07%
Rural Freestanding	-0.033%	-0.02%
Rural Units	-0.6	-0.07%
Pacific Region	1.48%	1.43%

Based on updates to this year's market basket value, CMS has proposed to increase the labor-related share of the IPF per diem base rate and ECT base rate from 74.8% in FFY 2019 to 76.8% for FFY 2020. A complete list of the proposed IPF wage indexes for payment in FFY 2020 is available on the CMS website at www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientPsychFacilPPS/WageIndex.html.

Facility-Level Adjustments

CMS continues to rely on the regression analysis used to implement the IPF PPS in 2004 to determine the IPF PPS adjustment factors. CMS notes that it is continuing an analysis to refine the IPF PPS using more current data to set the adjustment factors. CMS' states that its preliminary analysis has revealed variation in cost and claim data, particularly related to labor costs, drug costs, and laboratory services. However, CMS does not propose any refinements at this time. Refinements to the system will be proposed in future rulemaking and will be open to comment.

Rural and Teaching Adjustments

The federal per diem base rate is used as the standard payment per day under the IPF PPS, and is then adjusted by patient and facility-level characteristics applicable to the IPF stay. CMS proposes no changes to the rural and teaching adjustments for FFY 2020; both are listed below.

	FFY 2019
Rural Adjustment Factor	1.17
Teaching Adjustment Factor	0.5150

Emergency Department Adjustment

For FFY 2020, IPFs with a qualifying emergency department (ED) will continue to receive an adjustment factor of 1.31 (as opposed to an adjustment factor of 1.19 if an IPF does not have a qualifying ED) as the variable per diem adjustment for day one of each stay. This adjustment is intended to account for the costs associated with maintaining a full-service ED. The ED adjustment applies to all IPF admissions, regardless of whether a patient receives preadmission services in the hospital's ED, but is not made when a patient is discharged from an acute care or critical access hospital and admitted to the same hospital's psychiatric unit.

Outlier Payments

Based on the methodology used to update the outlier threshold amounts for years 2008 through 2019, CMS proposes an outlier fixed-dollar loss threshold of \$14,590 for FFY 2020 (an increase from \$12,865 in FFY 2019) to maintain estimated outlier payments at 2% of total estimated aggregate IPF payments. CMS notes that its analysis of the most recent data shows that it paid approximately 2.15% in outlier payments in FFY 2019.

Updates to the IPF Cost-to-Charge Ratio (CCR) Ceiling

CMS applies a ceiling to IPFs' CCRs. If an individual IPF's CCR exceeds the appropriate urban or rural ceiling, it is replaced with the appropriate national median CCR for that FFY, either urban or rural. The national urban and rural CCRs and the national urban and rural CCR ceilings for IPFs are updated annually based on analysis of the most recent data that is available. The national median CCR is applied when:

- New IPFs have not yet submitted their first Medicare cost report
- IPFs' overall CCR is in excess of three standard deviations above the corresponding national CCR ceiling for the current FFY
- Accurate data to calculate an overall CCR are not available for IPFs

CMS proposes to continue to set the national CCR ceilings at three standard deviations above the mean CCR; therefore, the national CCR ceiling for FFY 2020 is proposed to be 2.0588 for rural IPFs and 1.7321 for urban IPFs. CMS proposes a national median CCR of 0.5810 for rural IPFs and 0.4330 for urban IPFs.

Patient-Level Adjustments

CMS continues to apply a number of patient-level adjustments — including those for age, comorbidities and length of stay — with no changes proposed to the previously finalized adjustment factors.

Patient Condition Adjustment

For FFY 2020, CMS proposes to continue to use the Medicare-Severity Diagnosis Related Group (MS-DRG) system used under the IPPS to classify Medicare patients treated in IPFs. Principal diagnosis codes (ICD-10-CMs) that group to one of 17 MS-DRGs recognized under the IPF PPS will receive a DRG adjustment. Principal diagnoses that do not group to one of the designated MS-DRGs recognized under the IPF PPS would still receive the federal per diem base rate and all other applicable adjustments, but the payment would not include a DRG adjustment. The following table lists the 17 proposed MS-DRGs that will be eligible for a MS-DRG adjustment under the IPF PPS for FFY 2020, which are the same adjustment levels currently in place.

MS-DRG	Description	Adjustment Factor
056	Degenerative nervous system disorders w MCC	1.05
057	Degenerative nervous system disorders w/o MCC	1.05
080	Non-traumatic stupor & coma w MCC	1.07
081	Non-traumatic 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

Patient Comorbid Condition Adjustment

For FFY 2020, CMS proposes to continue to recognize 17 comorbidity categories for which an adjustment to the per diem rate can be applied. For each claim, an IPF may receive only one comorbidity adjustment per category, but it may receive an adjustment for more than one category. The following table lists the proposed comorbid condition payment adjustments for FFY 2020, which are the same adjustment levels currently in place.

Description of Comorbidity	Adjustment Factor
Artificial Openings — Digestive and Urinary	1.08
Cardiac Conditions	1.11
Chronic Obstructive Pulmonary Disease	1.12
Coagulation Factor Deficits	1.13
Developmental Disabilities	1.04
Drug and/or Alcohol Induced Mental Disorders	1.03
Eating and Conduct Disorders	1.12
Gangrene	1.10
Infectious Diseases	1.07
Oncology Treatment	1.07
Poisoning	1.11
Renal Failure, Acute	1.11
Renal Failure, Chronic	1.11
Severe Musculoskeletal and Connective Tissue Diseases	1.09
Severe Protein Calorie Malnutrition	1.13
Tracheostomy	1.06
Uncontrolled Diabetes Mellitus	1.05

Patient Age Adjustment

CMS proposes to maintain the current patient age adjustment for FFY 2020, as listed below.

Age	Adjustment Factor	Age	Adjustment Factor
Under 45	1.00	65 and under 70	1.10
45 and under 50	1.01	70 and under 75	1.13
50 and under 55	1.02	75 and under 80	1.15
55 and under 60	1.04	80 and over	1.17
60 and under 65	1.07		

Patient Variable Per Diem Adjustment

For FFY 2020, CMS proposes to continue to adjust the per diem rate based on patient length of stay using the current variable per diem adjustment, listed in the table below. Currently, variable per diem adjustments begin on day one (adjustment of 1.19 or 1.31 depending on the presence of an ED, as described above) and gradually decline until day 21 of a patient’s stay. For days 22 and thereafter, the variable per diem adjustment remains the same each day for the remainder of the stay.

Day of Stay	Adjustment Factor	Day of Stay	Adjustment Factor
Day 1	1.19 (w/o ED) or 1.31 (w/ED)	Day 12	0.99
Day 2	1.12	Day 13	0.99

Day 3	1.08	Day 14	0.99
Day 4	1.05	Day 15	0.98
Day 5	1.04	Day 16	0.97
Day 6	1.02	Day 17	0.97
Day 7	1.01	Day 18	0.96
Day 8	1.01	Day 19	0.95
Day 9	1.00	Day 20	0.95
Day 10	1.00	Day 21	0.95
Day 11	0.99	After Day 21	0.92

Inpatient Psychiatric Facility Quality Reporting Program

The current IPF QRP measure set includes 13 measures. IPFs that do not successfully participate in the IPF QRP are subject to a two-percentage point reduction to the market basket update for the applicable year. CMS proposes to add one additional measure beginning with the FFY 2021 payment determination, which would bring the total measure set to 14 measures. A table at the end of this summary lists the currently adopted and proposed IPF QRP measure set for payment determinations FFY 2020 and 2021.

Proposed Measure: Medication Continuation Following Discharge from an IPF

CMS proposes one additional measure, *Medication Continuation following Discharge from an IPF (NFQ #3205)*, for the FFY 2021 payment determination and subsequent years. The measure uses Medicare fee-for-service claims to identify whether patients admitted to IPFs with a diagnosis of major depressive disorder (MDD), schizophrenia, or bipolar disorder had filled at least one evidence-based medication within two days prior to discharge through 30 days post-discharge. For more information, see the [measure specifications](#).

CMS previously proposed, but did not finalize, this measure in its FFY 2018 IPPS/LTCH proposed rule. At the time, CMS was responding to stakeholder concerns that the measure would place undue burden on IPFs that were updating processes to account for other new measures. CMS states that, since then, five measures have been removed from the IPF QRP, and IPFs have had two additional years to familiarize themselves with the IPF QRP measure set. Further, CMS believes that because the measure is claims-based, there is no additional information collection burden.

CMS also responds to previous stakeholder concerns with the measure. While CMS has not made any changes to the measure specifications, the agency notes that the measure has since been endorsed by the National Quality Forum. CMS also acknowledges that, while there are factors external to the IPF that influence whether a patient fills a prescription, it believes IPFs can undertake interventions to improve the likelihood of a patient's medication continuation post-discharge.

Measures Under Consideration for Future Inclusion in IPF QRP

CMS notes that it is considering future development and adoption of a Patient Experience of Care measure for the IPF QRP. CMS seeks public comment on how IPFs have implemented patient experience surveys in their facilities and, specifically, whether they have used the entire HCAHPS survey or a subset of the survey

questions (and, if so, which specific questions). CMS also seeks comment on whether other surveys are in use.

Public Display and Review Requirements

CMS does not propose any changes to its policies for public display and review of quality measure data. It refers readers to the FFYs 2013, 2014 and 2018 IPPS final rules for more information on previously finalized policies.

Form, Manner and Timing of Quality Data Submission for the FFY 2021 Payment Determination and Subsequent Years

CMS does not propose any changes to its procedural, data submission, or reporting requirements for FFY 2021 and beyond.

Quality Measure Sampling Requirements

CMS does not propose any changes to its previously finalized quality measure sampling requirements and refers readers to its FFY 2019 IPF final rule for more information.

Data Accuracy and Completeness Acknowledgement (DACA) Requirements

CMS proposes no changes to previously finalized DACA requirements and refers readers to the FFY 2013 IPPS final rule for more information on those policies.

Reconsideration and Appeals Procedures

CMS proposes no changes to its reconsideration and appeals procedures and refers readers to the FFYs 2013 and 2014 IPPS final rules for more information on previously finalized policies.

Extraordinary Circumstance Exceptions

CMS proposes no changes to its previously finalized extraordinary circumstance exceptions policies and refers readers to the FFYs 2013, 2014, 2015, and 2018 IPPS final rules for more information.

Appendix

Table 1

Adopted and Proposed IPF QRP Measures for FFYs 2020-2021 and Subsequent Years				
X=Adopted				
NQF ID	CMS Measure ID	Description	FFY 2020	FFY 2021
0640	HBIPS-2	Hours of Physical Restraint Use	X	X
0641	HBIPS-3	Hours of Seclusion Use	X	X
0560	HBIPS-5	Patients Discharged on Multiple Antipsychotic Medications with Appropriate Justification	X	X
0576	FUH	Follow-up After Hospitalization for Mental Illness	X	X
1659	IMM-2	Influenza Immunization	X	X
1654	TOB-2 TOB-2a	Tobacco Use Treatment Provided or Offered and Tobacco Use Treatment	X	X
1656	TOB-3 TOB-3a	Tobacco Use Treatment Provided or Offered at Discharge and Tobacco Use Treatment at Discharge	X	X
1663	SUB-2 SUB-2a	Alcohol Use Brief Intervention Provided or Offered and SUB-2a Alcohol Use Brief Intervention	X	X
0647	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)	X	X
0648	N/A	Timely Transmission of Transition Record	X	X
N/A	N/A	Screening for Metabolic Disorders	X	X
1664	Sub-3 and Sub3a	Alcohol & Other Drug Use Disorder Treatment Provided or Offered at Discharge and the subset measure Alcohol & Other Drug Use Disorder Treatment at Discharge (NQF #1664)	X	X
2860	N/A	Thirty-Day All-Cause Unplanned Readmission Following Psychiatric Hospitalization in an IPF	X	X
3205	N/A	Medication Continuation Following Inpatient Psychiatric Discharge		<i>Proposed</i>