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## SUMMARY OF FINAL RULE — AUGUST 2019

### FFY 2020 Inpatient Psychiatric Facility Prospective Payment System

#### Overview

In the August 6 *Federal Register*, the Centers for Medicare & Medicaid Services (CMS) published its [final 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 in the final rule are effective for FFY 2020 discharges, beginning October 1.

CHA appreciates the input provided by members to inform the development of [comments](#) submitted to CMS in response to the proposed rule.

The following is a comprehensive summary, prepared by DataGen, Inc., of the final rule's provisions. Additional information is available at [www.calhospital.org/regulatory-tracker](http://www.calhospital.org/regulatory-tracker).

#### For Additional Information

Questions related to the information in the summary should be directed to Megan Howard, senior policy analyst, at (202) 488-3742 or [mhoward@calhospital.org](mailto:mhoward@calhospital.org); or Sheree Lowe, vice president, behavioral health, at (916) 552-7576 or [slowe@calhospital.org](mailto:slowe@calhospital.org).

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## Medicare Inpatient Psychiatric Facility Prospective Payment System

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### Payment Rule Brief — FINAL RULE

Program Year: FFY 2020

### Overview and Resources

On August 6, 2019, the Centers for Medicare and Medicaid Services (CMS) released the federal fiscal year (FFY) 2020 final payment rule for the Inpatient Psychiatric Facility (IPF) Prospective Payment System (PPS). The final rule reflects the annual update to the Medicare fee-for-service (FFS) IPF payment rates and policies. In addition to the regular updates to wage indexes and market basket, this rule includes:

- A change to the IPF market basket base year from 2012 to 2016 Medicare cost report data;
- The removal of IPF 1-year wage index lag; and
- An update to the IPF QRP beginning with the FFY 2021 determination year.

A copy of the final rule Federal Register (FR) and other resources related to the IPF PPS are available on the CMS website at

<https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientPsychFacIPPS/index.html>.

An online version of the final rule is available at

<https://www.federalregister.gov/documents/2019/08/06/2019-16370/medicare-program-fy-2020-inpatient-psychiatric-facilities-prospective-payment-system-and-quality>.

A brief of the final rule along with page references for additional details are provided below. Program changes finalized by CMS would be effective for discharges on or after October 1, 2019 unless otherwise noted. CMS estimates the overall economic impact of this final payment rate update to be an increase of \$65 million in aggregate payments to IPFs in FFY 2020 over FFY 2019.

**Note:** Text in italics is extracted from the August 6, 2019 *Federal Register*.

### IPF Payment Rates

*FR pages 38447 – 38448*

Incorporating the adopted updates, with the effect of a budget neutrality adjustment for wage index, the table below lists the IPF federal per diem base rate and the electroconvulsive therapy (ECT) base rate for FFY 2020 compared to the rates currently in effect:

	Final FFY 2019	Final FFY 2020	Percent Change
<b>IPF Per Diem Base Rate</b>	<b>\$782.78</b>	<b>\$798.55</b> (proposed at \$803.48)	<b>+2.01%</b> (proposed at +2.6%)
<b>ECT Base Rate</b>	<b>\$337.00</b>	<b>\$343.79</b> (proposed at \$345.91)	

The table below provides details of the adopted updates to the IPF payment rates for FFY 2020.

	FFY 2020 IPF Rate Update and Budget Neutrality Adjustments
Marketbasket (MB) Update	<b>+2.9%</b> (proposed at +3.1%)
ACA-Mandated Productivity MB Reduction	<b>-0.4 percentage points</b> (proposed at -0.5)
ACA-Mandated Pre-Determined MB Reduction	<b>-0.75 percentage points</b>
Wage Index Budget Neutrality Adjustment	<b>1.0026</b> (proposed at 1.0078)
<b>Overall Rate Change</b>	<b>+2.01%</b> (proposed at +2.6%)

### Update to the Base IPF Market Basket

*FR pages 38426 - 38444*

CMS periodically rebases the market basket to reflect the changes in the goods and services needed to furnish IPF services. CMS is finalizing 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.

### Wage Index, COLA, and Labor-Related Share

*FR pages 38445 – 38448, 38450 - 38453*

CMS will estimate the labor-related portion of the IPF standard rate using the finalized 2016-based IPF market basket and also adjust for differences in area wage levels using a wage index. In an effort to standardize the wage index data across post-acute care settings, CMS is finalizing to eliminate the 1-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 in a budget neutral manner, so that total payments will not be affected but there will be a distributional effect. A table that lists the distributional effect is provided on the *FR* pages 38452 – 38453.

Based on updates to this year’s market basket value, CMS will increase the labor-related share of the IPF per diem base rate and ECT base rate from 74.8% in FFY 2019 to 76.9% (proposed at 76.8%) in FFY 2020. A complete list of the finalized IPF wage indexes for payment in FFY 2020 is available on the CMS website <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientPsychFacilPPS/WageIndex.html>.

CMS is applying a budget neutrality factor of 1.0026 for FFY 2020 to ensure that aggregate payments made under the IPF PPS are not greater or less than would otherwise be made if wage adjustments had not changed.

For IPFs in Alaska and Hawaii, the IPF PPS provides a cost-of-living adjustment (COLA). The COLA is applied by multiplying the non-labor-related portions of the per diem base rate and ECT base rate by the applicable COLA factor. Under IPPS COLA policy, the COLA updates are determined every four years, when the IPPS market basket is rebased. Since the IPPS COLA factors were last updated in FFY 2018, they are not scheduled to be updated again until FFY 2022. Therefore, CMS will continue to use the existing IPF PPS COLA factors for FFY 2020. The IPF PPS COLA factors for FFY 2020 for Alaska and Hawaii are shown in Addendum A of the final rule.

## Adjustments to the IPF Payment Rates

FR pages 38448 - 38457

For FFY 2020, CMS will retain the facility and patient-level adjustments currently used for FFY 2019 IPF PPS. The adjustments are described in detail below.

- **ED Adjustment (FR pages 38456 - 38457):** For FFY 2020, IPFs with a qualifying emergency department (ED) will continue to receive an adjustment factor of 1.31 as the variable per diem adjustment for day 1 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. A 1.19 ED adjustment is made when a patient is discharged from an acute care hospital or Critical Access Hospital (CAH) and admitted to the same hospital or CAH's psychiatric unit.
- **Teaching Adjustment (FR page 38455):** IPFs with teaching programs will continue to receive an adjustment to the per diem rate to account for the higher indirect operating costs experienced by hospitals that participate in graduate medical education (GME) programs. CMS will maintain the teaching adjustment factor at 0.5150 for FFY 2020. The teaching adjustment is based on the number of full-time equivalent (FTE) interns and residents training in the IPF and the IPF's average daily census (ADC). CMS will maintain the formula to calculate the teaching adjustment and to continue to allow temporary adjustments to FTE caps to reflect residents added due to closure of an IPF or a closure of an IPF's medical residency training program.
- **Rural Adjustment (FR page 38455):** IPFs located in rural areas currently receive an adjustment to the per diem rate of 1.17. This adjustment is provided because an analysis by CMS determined that the per diem cost of rural IPFs was 17% higher than that of urban IPFs. CMS will continue this adjustment in FFY 2020.
- **Patient Condition (MS-DRG) Adjustment (FR pages 38448 - 38449):** For FFY 2020, CMS will continue to use the Medicare-Severity Diagnosis Related Group (MS-DRG) system used under the IPPS to classify Medicare patients treated in IPFs.

As has been the case in prior years, principal diagnoses 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 still receive the federal per diem base rate and all other applicable adjustments, but the payment will not include a DRG adjustment. The following table lists the 17 MS-DRGs that will be eligible for a MS-DRG adjustment under the IPF PPS for FFY 2020. These 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 (FR page 38449):** For FFY 2020, the IPF PPS will 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 comorbidity category, but it may receive an adjustment for more than one category. The following table lists the comorbid condition payment adjustments for FFY 2020. These 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 Malnutrition	1.13
Tracheostomy	1.06
Uncontrolled Diabetes Mellitus	1.05

- Patient Age Adjustment (FR page 38450):** IPF PPS will maintain the patient age adjustment for FFY 2020. Analysis by CMS has shown that IPF per diem costs increase with patient age. The following table lists the patient age adjustments for FFY 2020. These are the same adjustment levels currently in place.

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 (FR page 38450):** For FFY 2020, the per diem rate will continue to be adjusted based on patient length-of-stay (LOS) using variable per diem adjustment. Analysis by CMS has shown that per diem costs decline as the LOS increases. Currently, variable per diem adjustments begin on day 1 (adjustment of 1.19 or 1.31 depending on the presence of an ED – see “ED Adjustment” section) and gradually decline until day 21 of a patient’s stay. For day 22 and thereafter, the variable per diem adjustment remains the same each day for the remainder of the stay. The following table lists the variable per diem adjustment factors for FFY 2020. These are the same adjustment levels currently in place.

Day-of-Stay	Adjustment Factor	Day-of-Stay	Adjustment Factor
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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

## Outlier Payments

FR page 38457

Outlier payments were established under the IPF PPS to provide additional payments for extremely costly cases. Outlier payments are made when an IPF's estimated total cost for a case exceeds a fixed dollar loss threshold amount (multiplied by the IPF's facility-level adjustments) plus the federal per diem payment amount for the case. Costs are determined by multiplying the facility's overall cost-to-charge ratio (CCR) by the allowable charges for the case. When a case qualifies for an outlier payment, CMS pays "80% of the difference between the estimated cost for the case and the adjusted threshold amount for days 1 through 9 of the stay and 60% of the difference for day 10 and thereafter". The varying 80% and 60% "loss sharing ratios" were established to discourage IPFs from increasing patient LOS in order to receive outlier payments.

CMS has established a target of 2.0% of total IPF PPS payments to be set aside for high cost outliers. To meet this target for FFY 2020, CMS is adopting an outlier threshold of \$14,960 (proposed at \$14,590), a 16.3% increase over the FFY 2019 threshold of \$12,865.

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

FR page 38458

CMS applies a ceiling to IPF's CCRs. If an individual IPF's CCR exceeds the appropriate urban or rural ceiling, the IPF's CCR 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 3 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 will continue to set the national CCR ceilings at 3 standard deviations above the mean CCR, and therefore the national CCR ceiling for FFY 2020 for rural IPFs is will be 2.0239 (proposed at 2.0588) and 1.7263 (proposed at 1.7321) for urban IPFs. If an individual IPF's CCR exceeds this ceiling for FFY 2020, the IPF's CCR will be replaced with the appropriate national median CCR, urban or rural. CMS is finalizing a national median CCR of 0.5720 (proposed at 0.5810) for rural IPFs and 0.4370 (proposed at 0.4330) for urban IPFs.

## Update on IPF PPS Refinements

FR page 38458

CMS will continue to delay making refinements to the IPF PPS until IPF PPS data is thoroughly analyzed. CMS’ preliminary analysis has revealed variation in cost and claim data, particularly related to labor costs, drug costs, and laboratory services.

## IPF Quality Reporting (IPFQR) Program

FR pages 38459 - 38466

IPFs that do not successfully participate in the IPFQR Program are subject to a 2.0 percentage point reduction to the market basket update for the applicable year.

CMS has previously finalized 13 measures for the FFY 2020 payment determination and subsequent years as set forth below:

Measure	NQF #	Payment Determination Year
HBIPS-2—Hours of Physical Restraint Use	#0640	FFY 2015 and beyond
HBIPS-3—Hours of Seclusion Use	#0641	FFY 2015 and beyond
HBIPS-5—Patients Discharged on Multiple Antipsychotic Medications with Appropriate Justification	#0560	FFY 2015 and beyond
FUH—Follow-Up After Hospitalization for Mental Illness	#0576	FFY 2016 and beyond
IMM-2—Influenza Immunization	#1659	FFY 2017 and beyond
TOB-2/2a—Tobacco Use Treatment Provided or Offered and Tobacco Use Treatment	N/A	FFY 2017 and beyond
TOB-3/3a Tobacco Use Treatment Provided or Offered at Discharge and Tobacco Use Treatment at Discharge	N/A	FFY 2018 and beyond
SUB-2/2a Alcohol Use Brief Intervention Provided or Offered and Alcohol Use Brief Intervention	N/A	FFY 2018 and beyond
Transition record with specified elements received by discharged patients	N/A	FFY 2018 and beyond
Timely transmission of transmission record	N/A	FFY 2018 and beyond
Screening for Metabolic Disorders Measure	N/A	FFY 2018 and beyond
SUB-3/3a Alcohol and Other Drug Use Disorder Treatment Provided or Offered at Discharge and Alcohol and Other Drug Use Disorder Treatment at Discharge	N/A	FFY 2019 and beyond
30-Day All-Cause Unplanned Readmission Following Psychiatric Hospitalization in an Inpatient Facility	#2860	FFY 2019 and beyond

CMS is adopting one additional measure, “*Medication Continuation following Discharge from an IPF (NQF #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 diagnoses of major depressive disorder (MDD), schizophrenia, or bipolar disorder had filled at least one evidence-based medication within 2 days prior to discharge through 30 days post-discharge.

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