Medicare Inpatient Psychiatric Facility Prospective Payment System
Final Rule Impact Analysis
Federal Fiscal Year 2020

-Version 1-

Analysis Description

The federal fiscal year (FFY) 2020 Medicare Inpatient Psychiatric Facility Prospective Payment System (IPF PPS) Final Rule Analysis is intended to show providers how Medicare fee-for-service (FFS) payments would change from FFY 2019 to FFY 2020 based on the policies set forth in the FFY 2020 IPF PPS final rule.

FFY 2020 IPF Final Rule Payment Changes Modeled in this Analysis:

- Marketbasket Update: A 2.9% marketbasket increase to account for price increases in the services furnished by providers.

- ACA-Mandated Marketbasket Reductions: Combined 0.4 percentage point productivity reduction and 0.75 percentage point pre-determined reduction to the marketbasket authorized by the Affordable Care Act (ACA) of 2010.

- Wage Index Budget Neutrality (including all other budget neutrality): A 1.0026 factor to maintain program budget neutrality due to changes in the wage index.

- Wage Index and Labor Share: Updated wage index values based on the FFY 2020 facility wage index without the rural floor or reclassifications. This impact includes the increase in the labor-share from 74.8% for FFY 2019 to 76.9% for FFY 2020. This is different from prior years because CMS adopted the use of the current IPPS wage index instead of the prior year wage index. The impact of the removal of wage index lag is broken out separately.

The values shown in the impact table do not include the 2.0% sequestration reduction to all lines of Medicare payment authorized by Congress through FFY 2027. The estimated sequestration reduction applicable to IPF PPS-specific payment has been calculated separately and is provided at the bottom of the impact table.

Data Sources

IPF payments and individual IPF characteristics/factors to derive the IPF rural and teaching adjustments are from the most recent Medicare cost report (FFY 2016, FFY 2017 or FFY 2018) provided by CMS. The federal per diem base rates, wage indexes, and labor shares are from the FFY 2019 IPF final rule and the FFY 2020 IPF final

rule as published in the *Federal Register.* The Comparison FFY 2019 wage index without the rural floor or reclassifications, which is used to calculate the impact of the removal of the wage index lag, is from FFY 2020 final rule wage index provider specific impact file. Comparison wage indexes not in the FFY 2020 final rule are calculated using FFY 2019 IPPS CN Table 3. Wage indexes used in this analysis reflect facility wage index values without the rural floor or reclassifications.

Note: All components related to facility operations are held constant (e.g. patient volume and case-mix index) in order to measure the impacts of policy changes only.

Methods

The dollar impact of each component change has been calculated by first estimating 2019 IPF PPS payments. Estimated 2019 payments reflect IPF revenues from the most recent (FFYs 2016, 2017, or 2018) Medicare cost report updated by the component change in the IPF federal per diem base rate. Then the FFY 2019 to FFY 2020 change for each IPF payment component is analyzed, calculated and applied to estimated FFY 2019 payments. The component impacts are applied sequentially in order to capture the compounded dollar impacts. For example, the component changes due to the marketbasket update, as well as the component change in the ACA-mandated marketbasket reductions, are applied to total 2019 payments. Then, the component change of the wage index budget neutrality is applied to the dollar result of the previous changes. This method continues for the remaining changes, creating a compounded effect. The difference between the results after each layered component is the impact of that component.

This analysis does NOT include impact estimates due to high cost outliers, estimates for payments for Managed Care patients, or any modifications in FFS payments as a result of facility participation in new payment models being tested under Medicare demonstration/pilot programs. Dollar impacts in this analysis may differ from those provided by other organizations/associations due to differences in source data and analytic methods.

Note: Individual percentages and dollars shown in this analysis may not add to total due to compounding and rounding. Dollar amounts less than $50 and percentages less than 0.05% will appear as zeros due to rounding.