

WASHINGTON

perspectives

An Analysis and Commentary on Federal Health Care Issues
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CMS Announces Final Inpatient Psychiatric Facilities PPS Update for FY 2017



The Centers for Medicare and Medicaid Services (CMS) have issued a notice to update the Medicare Inpatient Psychiatric Facilities (IPFs) Prospective Payment System (PPS) for Fiscal Year (FY) 2017.

The rule is to be published in the August 1st **Federal Register**. A copy of the 72 page document can currently be downloaded at:

<https://s3.amazonaws.com/public-inspection.federalregister.gov/2016-17982.pdf>. This link will change upon publication. The publication web site will be: <https://www.federalregister.gov/articles/2016/08/01>.

Comment

Most of the current (FY 2016) IPF payment adjustments will remain unchanged for FY 2017.

CMS says the notice reflects a \$105 million increase to the payment rates (+\$130 million from the unadjusted IPF market basket of 2.8 percent, -\$15 million for the productivity adjustment of 0.3 percentage point, and -\$10 million for the other adjustment of 0.2 percentage point). In addition, payments will decrease by \$5 million as a result of the update to the outlier threshold amount. Outlier payments are estimated to decrease from 2.1 percent in FY 2016 to 2.0 percent of total estimated IPF payments in FY 2017.

One must question why it took the Office of Management and Budget (OMB) 6 weeks to clear this notice when much is unchanged from FY 2016 and there appear no controversial policy issues.

Payment Provisions

- CMS is updating the estimated payments to IPFs in FY 2017 relative to estimated payments in FY 2016 by 2.3 percent. This amount reflects a **2.8 percent** IPF-specific market basket estimate less a productivity adjustment of 0.3 percentage points and less a 0.2 percentage point reduction required by the **Affordable Care Act** (ACA), for a net update of 2.3 percent.
- Estimated overall payments to IPFs would be reduced further by 0.1 percent due to updating the outlier fixed-dollar loss threshold amount. The result will result in an overall loss of \$5 million. The fixed dollar loss outlier threshold amount increases from \$9,580 to **\$10,120** in order to maintain estimated outlier payments at 2.0 percent of total estimated aggregate IPF PPS payments.
- The labor-related share will be 75.1 percent.

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- CMS updated the IPF PPS per diem rate from \$743.73 to **\$761.37**. Providers that failed to report quality data for FY 2017 payment will receive a FY 2017 per diem rate of \$746.48
- The updated electroconvulsive therapy (ECT) payment per treatment increases from \$320.19 to **\$327.78**.
- Providers that failed to report quality data for FY 2017 payment will receive a FY 2017 ECT payment per treatment of **\$321.38**.
- CMS used the updated labor-related share of 75.1 percent (based on the 2012-based IPF market basket) and CBSA rural and urban wage indices for FY 2017, and established a wage index budget-neutrality adjustment of **1.0007**.
- As a result of previously revised OMB delineations, 37 IPF providers will have their status changed from rural to urban, and therefore will lose their 17 percent rural adjustment. CMS is phasing-out their rural adjustment, so that these 37 providers will receive one-third of the rural adjustment in FY 2017, and no rural adjustment for FY 2018 and subsequent years.

Tables and Values

The wage index tables are no longer published in the *Federal Register*. Instead, these tables are available on the CMS website at: <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/IPFPPS/WageIndex.html>.

The notices' Addendum A and B contain payment and related adjustments.

Addendum A –IPF PPS FY 2017 Final Rates and Adjustment Factors

Per Diem Rates

| | |
|----------------------------|----------|
| Federal Per Diem Base Rate | \$761.37 |
| Labor Share (0.751) | \$571.79 |
| Non-Labor Share (0.249) | \$189.58 |

Per Diem Rate Applying the 2 Percentage Point Reduction

| | |
|----------------------------|----------|
| Federal Per Diem Base Rate | \$746.48 |
| Labor Share (0.751) | \$560.61 |
| Non-Labor Share (0.249) | \$185.87 |

Fixed Dollar Loss Threshold Amount

\$10,120

Wage Index Budget-Neutrality Factor

1.0007

Patient-Level Adjustments:

1. Adjustment for MS-DRG Assignment

For FY 2017, payment adjustments for psychiatric diagnoses that group to one of the 17 MS-IPF-DRGs are listed below.

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FY 2017 MS-IPF-DRGs Applicable for the Principal Diagnosis Adjustment

| MS-DRG | MS-DRG Descriptions | Adjustment Factor |
|--------|---|-------------------|
| 056 | Degenerative nervous system disorders w MCC | 1.05 |
| 057 | Degenerative nervous system disorders w/o MCC | |
| 080 | Nontraumatic stupor & coma w MCC | 1.07 |
| 081 | Nontraumatic stupor & coma w/o MCC | |
| 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 | |

2. Payment for Comorbid Conditions

The intent of the comorbidity adjustment is to recognize the increased costs associated with comorbid conditions by providing additional payments for certain concurrent medical or psychiatric conditions that are expensive to treat.

The 17 adjustments are:

Comorbidity Adjustments for FY 2017

| Description of Comorbidity | Adjustment Factor |
|---|-------------------|
| Developmental Disabilities | 1.04 |
| Coagulation Factor Deficits | 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 and/or Alcohol Induced Mental Disorders | 1.03 |
| Cardiac Conditions | 1.11 |
| Gangrene | 1.10 |
| Chronic Obstructive Pulmonary Disease | 1.12 |
| Artificial Openings— Digestive and Urinary | 1.08 |
| Severe Musculoskeletal and Connective Tissue Diseases | 1.09 |
| Poisoning | 1.11 |

3. Patient Age Adjustments

Patient age adjustments are shown below:

| Age | 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 |

4. Variable Per Diem Adjustments

The variable per diem adjustment factors are shown in the table below.

| Day-Of-Stay | Adjustment Factor |
|-----------------------------------|-------------------|
| Day 1- IPF Without a Qualified ED | 1.19 |
| Day 1- IPF With a Qualified ED | 1.31 |
| Day 2 | 1.12 |
| Day 3 | 1.08 |
| Day 4 | 1.05 |
| 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-Level Adjustments

The IPF PPS includes facility-level adjustments for the wage index for IPFs located in rural areas, teaching IPFs, cost of living adjustments for IPFs located in Alaska and Hawaii, and IPFs with a qualifying emergency department (ED).

1. Adjustment for Rural Location

CMS will continue to apply a 17 percent payment adjustment for IPFs located in a rural area.

2. Teaching Adjustment

CMS is retaining the coefficient value of 0.5150 for the teaching status adjustment to the Federal per diem base rate.

3. Cost of Living Adjustment for IPFs Located in Alaska and Hawaii

IPFs located in Alaska and Hawaii will continue to receive an updated COLA factors based on the COLA area in which the IPF is located and as shown in the table below:

| | Factor |
|---|--------|
| Alaska: | |
| City of Anchorage and 80-kilometer (50-mile) radius by road | 1.23 |
| City of Fairbanks and 80-kilometer (50-mile) radius by road | 1.23 |
| City of Juneau and 80-kilometer (50-mile) radius by road | 1.23 |
| Rest of Alaska | 1.25 |
| Hawaii: | |
| City and County of Honolulu | 1.25 |
| County of Hawaii | 1.19 |
| County of Kauai | 1.25 |
| County of Maui and County of Kalawao | 1.25 |

4. Adjustment for IPFs with a Qualifying Emergency Department (ED)

The ED adjustment is incorporated into the variable per diem adjustment for the first day of each stay for IPFs with a qualifying ED. That is, IPFs with a qualifying admission from an ED will receive an adjustment factor of 1.31 as the variable per diem adjustment for day 1 of each stay. If an IPF does not have a qualifying ED, it will receive an adjustment factor of 1.19 as the variable per diem adjustment for day 1 of each patient stay.

Addendum B

Changes to the FY 2017 ICD-10-CM/PCS Code Sets Which Affect FY the FY 2017 IPF PPS Comorbidity Adjustments

Four IPF PPS Comorbidity Categories Are Affected:

1. Oncology Treatment

Add the following codes to the Oncology Treatment code list:

| DX | Long description |
|--------|---|
| C49A0 | Gastrointestinal stromal tumor, unspecified site |
| C49A1 | Gastrointestinal stromal tumor of esophagus |
| C49A2 | Gastrointestinal stromal tumor of stomach |
| C49A3 | Gastrointestinal stromal tumor of small intestine |
| C49A4 | Gastrointestinal stromal tumor of large intestine |
| C49A5 | Gastrointestinal stromal tumor of rectum |
| C49A9 | Gastrointestinal stromal tumor of other sites |
| D49511 | Neoplasm of unspecified behavior of right kidney |
| D49512 | Neoplasm of unspecified behavior of left kidney |

| DX | Long description |
|-------|--|
| D4959 | Neoplasm unspecified behavior of other genitourinary organ |

Delete the following code from the Oncology Treatment code list:

| DX | Long description |
|------|--|
| D495 | Neoplasm of unspecified behavior of other genitourinary organs |

The following codes from the Oncology Treatment code list have long description changes:

| DX | Old long description | New long description |
|--------|---|---|
| C7A094 | Malignant carcinoid tumor of the foregut NOS | Malignant carcinoid tumor of the foregut, unspecified |
| C7A095 | Malignant carcinoid tumor of the midgut NOS | Malignant carcinoid tumor of the midgut, unspecified |
| C7A096 | Malignant carcinoid tumor of the hindgut NOS | Malignant carcinoid tumor of the hindgut, unspecified |
| C8110 | Nodular sclerosis classical Hodgkin lymphoma, unspecified site | Nodular sclerosis Hodgkin lymphoma, unspecified site |
| C8111 | Nodular sclerosis classical Hodgkin lymphoma, lymph nodes of head, face, and neck | Nodular sclerosis Hodgkin lymphoma, lymph nodes of head, face, and neck |
| C8112 | Nodular sclerosis classical Hodgkin lymphoma, intrathoracic lymph nodes | Nodular sclerosis Hodgkin lymphoma, intrathoracic lymph nodes |
| C8113 | Nodular sclerosis classical Hodgkin lymphoma, intra-abdominal lymph nodes | Nodular sclerosis Hodgkin lymphoma, intra-abdominal lymph nodes |
| C8114 | Nodular sclerosis classical Hodgkin lymphoma, lymph nodes of axilla and upper limb | Nodular sclerosis Hodgkin lymphoma, lymph nodes of axilla and upper limb |
| C8115 | Nodular sclerosis classical Hodgkin lymphoma, lymph nodes of inguinal region and lower limb | Nodular sclerosis Hodgkin lymphoma, lymph nodes of inguinal region and lower limb |
| C8116 | Nodular sclerosis classical Hodgkin lymphoma, intrapelvic lymph nodes | Nodular sclerosis Hodgkin lymphoma, intrapelvic lymph nodes |
| C8117 | Nodular sclerosis classical Hodgkin lymphoma, spleen | Nodular sclerosis Hodgkin lymphoma, spleen |
| C8118 | Nodular sclerosis classical Hodgkin lymphoma, lymph nodes of multiple sites | Nodular sclerosis Hodgkin lymphoma, lymph nodes of multiple sites |
| C8119 | Nodular sclerosis classical Hodgkin lymphoma, extranodal and solid organ sites | Nodular sclerosis Hodgkin lymphoma, extranodal and solid organ sites |
| C8120 | Mixed cellularity classical Hodgkin lymphoma, unspecified site | Mixed cellularity Hodgkin lymphoma, unspecified site |
| C8121 | Mixed cellularity classical Hodgkin lymphoma, lymph nodes of head, face, and neck | Mixed cellularity Hodgkin lymphoma, lymph nodes of head, face, and neck |
| C8122 | Mixed cellularity classical Hodgkin lymphoma, intrathoracic lymph nodes | Mixed cellularity Hodgkin lymphoma, intrathoracic lymph nodes |
| C8123 | Mixed cellularity classical Hodgkin lymphoma, intra-abdominal lymph nodes | Mixed cellularity Hodgkin lymphoma, intra-abdominal lymph nodes |
| C8124 | Mixed cellularity classical Hodgkin lymphoma, lymph nodes of axilla and upper limb | Mixed cellularity Hodgkin lymphoma, lymph nodes of axilla and upper limb |

| DX | Old long description | New long description |
|-----------|---|---|
| C8125 | Mixed cellularity classical Hodgkin lymphoma, lymph nodes of inguinal region and lower limb | Mixed cellularity Hodgkin lymphoma, lymph nodes of inguinal region and lower limb |
| C8126 | Mixed cellularity classical Hodgkin lymphoma, intrapelvic lymph nodes | Mixed cellularity Hodgkin lymphoma, intrapelvic lymph nodes |
| C8127 | Mixed cellularity classical Hodgkin lymphoma, spleen | Mixed cellularity Hodgkin lymphoma, spleen |
| C8128 | Mixed cellularity classical Hodgkin lymphoma, lymph nodes of multiple sites | Mixed cellularity Hodgkin lymphoma, lymph nodes of multiple sites |
| C8129 | Mixed cellularity classical Hodgkin lymphoma, extranodal and solid organ sites | Mixed cellularity Hodgkin lymphoma, extranodal and solid organ sites |
| C8130 | Lymphocyte depleted classical Hodgkin lymphoma, unspecified site | Lymphocyte depleted Hodgkin lymphoma, unspecified site |
| C8131 | Lymphocyte depleted classical Hodgkin lymphoma, lymph nodes of head, face, and neck | Lymphocyte depleted Hodgkin lymphoma, lymph nodes of head, face, and neck |
| C8132 | Lymphocyte depleted classical Hodgkin lymphoma, intrathoracic lymph nodes | Lymphocyte depleted Hodgkin lymphoma, intrathoracic lymph nodes |
| C8133 | Lymphocyte depleted classical Hodgkin lymphoma, intra-abdominal lymph nodes | Lymphocyte depleted Hodgkin lymphoma, intra-abdominal lymph nodes |
| C8134 | Lymphocyte depleted classical Hodgkin lymphoma, lymph nodes of axilla and upper limb | Lymphocyte depleted Hodgkin lymphoma, lymph nodes of axilla and upper limb |
| C8135 | Lymphocyte depleted classical Hodgkin lymphoma, lymph nodes of inguinal region and lower limb | Lymphocyte depleted Hodgkin lymphoma, lymph nodes of inguinal region and lower limb |
| C8136 | Lymphocyte depleted classical Hodgkin lymphoma, intrapelvic lymph nodes | Lymphocyte depleted Hodgkin lymphoma, intrapelvic lymph nodes |
| C8137 | Lymphocyte depleted classical Hodgkin lymphoma, spleen | Lymphocyte depleted Hodgkin lymphoma, spleen |
| C8138 | Lymphocyte depleted classical Hodgkin lymphoma, lymph nodes of multiple sites | Lymphocyte depleted Hodgkin lymphoma, lymph nodes of multiple sites |
| C8139 | Lymphocyte depleted classical Hodgkin lymphoma, extranodal and solid organ sites | Lymphocyte depleted Hodgkin lymphoma, extranodal and solid organ sites |
| C8140 | Lymphocyte-rich classical Hodgkin lymphoma, unspecified site | Lymphocyte-rich Hodgkin lymphoma, unspecified site |
| C8141 | Lymphocyte-rich classical Hodgkin lymphoma, lymph nodes of head, face, and neck | Lymphocyte-rich Hodgkin lymphoma, lymph nodes of head, face, and neck |
| C8142 | Lymphocyte-rich classical Hodgkin lymphoma, intrathoracic lymph nodes | Lymphocyte-rich Hodgkin lymphoma, intrathoracic lymph nodes |
| C8143 | Lymphocyte-rich classical Hodgkin lymphoma, intra-abdominal lymph nodes | Lymphocyte-rich Hodgkin lymphoma, intra-abdominal lymph nodes |
| C8144 | Lymphocyte-rich classical Hodgkin lymphoma, lymph nodes of axilla and upper limb | Lymphocyte-rich Hodgkin lymphoma, lymph nodes of axilla and upper limb |
| C8145 | Lymphocyte-rich classical Hodgkin lymphoma, lymph nodes of inguinal region and lower limb | Lymphocyte-rich Hodgkin lymphoma, lymph nodes of inguinal region and lower limb |

| DX | Old long description | New long description |
|--------|---|---|
| C8146 | Lymphocyte-rich classical Hodgkin lymphoma, intrapelvic lymph nodes | Lymphocyte-rich Hodgkin lymphoma, intrapelvic lymph nodes |
| C8147 | Lymphocyte-rich classical Hodgkin lymphoma, spleen | Lymphocyte-rich Hodgkin lymphoma, spleen |
| C8148 | Lymphocyte-rich classical Hodgkin lymphoma, lymph nodes of multiple sites | Lymphocyte-rich Hodgkin lymphoma, lymph nodes of multiple sites |
| C8149 | Lymphocyte-rich classical Hodgkin lymphoma, extranodal and solid organ sites | Lymphocyte-rich Hodgkin lymphoma, extranodal and solid organ sites |
| C8170 | Other classical Hodgkin lymphoma, unspecified site | Other Hodgkin lymphoma, unspecified site |
| C8171 | Other classical Hodgkin lymphoma, lymph nodes of head, face, and neck | Other Hodgkin lymphoma, lymph nodes of head, face, and neck |
| C8172 | Other classical Hodgkin lymphoma, intrathoracic lymph nodes | Other Hodgkin lymphoma, intrathoracic lymph nodes |
| C8173 | Other classical Hodgkin lymphoma, intra-abdominal lymph nodes | Other Hodgkin lymphoma, intra-abdominal lymph nodes |
| C8174 | Other classical Hodgkin lymphoma, lymph nodes of axilla and upper limb | Other Hodgkin lymphoma, lymph nodes of axilla and upper limb |
| C8175 | Other classical Hodgkin lymphoma, lymph nodes of inguinal region and lower limb | Other Hodgkin lymphoma, lymph nodes of inguinal region and lower limb |
| C8176 | Other classical Hodgkin lymphoma, intrapelvic lymph nodes | Other Hodgkin lymphoma, intrapelvic lymph nodes |
| C8177 | Other classical Hodgkin lymphoma, spleen | Other Hodgkin lymphoma, spleen |
| C8178 | Other classical Hodgkin lymphoma, lymph nodes of multiple sites | Other Hodgkin lymphoma, lymph nodes of multiple sites |
| C8179 | Other classical Hodgkin lymphoma, extranodal and solid organ sites | Other Hodgkin lymphoma, extranodal and solid organ sites |
| D3A094 | Benign carcinoid tumor of the foregut NOS | Benign carcinoid tumor of the foregut, unspecified |
| D3A095 | Benign carcinoid tumor of the midgut NOS | Benign carcinoid tumor of the midgut, unspecified |
| D3A096 | Benign carcinoid tumor of the hindgut NOS | Benign carcinoid tumor of the hindgut, unspecified |

2. Oncology Treatment Procedure

Add the following code to the Oncology Treatment procedure code list:

| DX | Long description |
|---------|---|
| 3E0Q005 | Introduction of Other Antineoplastic into Cranial Cavity and Brain, Open Approach |

3. Infectious Disease

Add the following code to the Infectious Disease code list:

| DX | Long description |
|------|--------------------|
| A925 | Zika virus disease |

4. Artificial Openings Digestive and Urinary

Add the following codes to the Artificial Openings, Digestive and Urinary code list:

| DX | Long description |
|--------|--|
| N99523 | Herniation of incontinent stoma of urinary tract |
| N99524 | Stenosis of incontinent stoma of urinary tract |
| N99533 | Herniation of continent stoma of urinary tract |
| N99534 | Stenosis of continent stoma of urinary tract |

The following codes from the Artificial Openings Digestive and Urinary code list have long description changes:

| DX | Old long description | New long description |
|--------|---|---|
| N99520 | Hemorrhage of other external stoma of urinary tract | Hemorrhage of incontinent external stoma of urinary tract |
| N99521 | Infection of other external stoma of urinary tract | Infection of incontinent external stoma of urinary tract |
| N99522 | Malfunction of other external stoma of urinary tract | Malfunction of incontinent external stoma of urinary tract |
| N99528 | Other complication of other external stoma of urinary tract | Other complication of incontinent external stoma of urinary tract |
| N99530 | Hemorrhage of other stoma of urinary tract | Hemorrhage of continent stoma of urinary tract |
| N99531 | Infection of other stoma of urinary tract | Infection of continent stoma of urinary tract |
| N99532 | Malfunction of other stoma of urinary tract | Malfunction of continent stoma of urinary tract |
| N99538 | Other complication of other stoma of urinary tract | Other complication of continent stoma of urinary tract |

Tables showing the complete listing of ICD-10-CM/PCS codes underlying the IPF PPS comorbidity adjustment and the IPF PPS Code First adjustment, and associated with the IPF PPS ECT per treatment payment, are available online at: <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientPsychFacilPPS/tools.html>.

Final Comment

This notice does not contain any quality measure items. They may be included as part of the Inpatient PPS update due shortly.

The notice is fairly well written without too much repetitive history. Perhaps it could serve as a model for other rules and notices.