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perspectives

***An Analysis and Commentary on Federal Health Care Issues
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CMS Announces Inpatient Psychiatric Facilities PPS Update Proposal for FY 2018



The Centers for Medicare and Medicaid Services (CMS) have issued a proposal 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 May 8th **Federal Register**. A “display” copy of the 130-page document can currently be downloaded at: <https://s3.amazonaws.com/public-inspection.federalregister.gov/2018-09069.pdf>. This link will change upon publication. A comment period ending June 26th is provided.

CMS says it estimates that the total impact of its proposed 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 first quarter 2018 IGI forecast of 2.8 percent, -\$40 million for the multifactor productivity adjustment of 0.8 percentage point, and -\$30 million for another adjustment of 0.75 percentage point), as mandated by the **Affordable Care Act** (ACA), as well as a \$10 million decrease as a result of the update to the outlier threshold amount. This results in a net increase of 1.25 percent.

Provisions of the FY 2019 IPF PPS Proposed Rule

Proposed Update to the FY 2019 Market Basket for the IPF PPS

CMS is proposing to use an estimate of the “2012-based IPF market basket increase factor” to update the IPF PPS base payment rate. CMS proposes to estimate the market basket update based on IHS Global, Inc.’s (IGI) forecast. Based on IGI’s first quarter 2018 forecast the increase for FY 2019 is 2.8 percent.

The 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 projected to be 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 proposed estimated FY 2019 IPF PPS payment rate update of 1.25 percent (2.8 – 0.8 – 0.75 = **1.25**).

Proposed IPF Labor-Related Share

The proposed update to the labor-related share based on IGI's first quarter 2018 forecast would be **74.8** percent. The current factor is 75.0 percent.

Proposed Update of the Federal Per Diem Base Rate and Electroconvulsive Therapy Payment Per Treatment

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

For the proposed FY 2019 federal per diem base rate, CMS applied the proposed payment rate update of 1.25 percent and a proposed wage index budget-neutrality factor of 1.0013 to the FY 2018 federal per diem base rate of \$771.35, yielding a proposed federal per diem base rate of **\$782.01**.

Similarly, CMS applied the proposed 1.25 percent payment rate update and a proposed 1.0013 wage index budget-neutrality factor to the FY 2018 ECT payment per treatment, yielding a proposed ECT payment per treatment of **\$336.67**.

For IPFs that fail requirements under the Inpatient Psychiatric Facilities Quality Reporting (IPFQR) Program, the federal per diem base rate would be \$766.56, and the ECT amount would be \$330.02.

FY 2019 Proposed IPF PPS Rates and Adjustment Factors

Per Diem Rate & ECT

Federal Per Diem Base Rate	\$782.01
Labor Share (74.8%)	\$584.94
Non-Labor Share (25.2%)	\$197.07

ECT – Per Treatment	\$336.67
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Per Diem Rate & ECT Applying the 2 Percentage Point Reduction (no quality)

Federal Per Diem Base Rate	\$766.56
Labor Share (74.8%)	\$573.39
Non-Labor Share (25.2%)	\$193.17

ECT – Per Treatment Applying the 2 Percentage Point Reduction	\$330.02
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Proposed Update to the Wage Index and Facility Adjustments

The proposed FY 2019 IPF wage index is located on the CMS website at <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientPsychFacilPPS>

Wage Index Budget-Neutrality Factor:

1.0013

Facility Adjustments

Rural Adjustment Factor	1.17
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Teaching Adjustment Factor	0.5150
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Outlier Update

CMS estimates that IPF outlier payments as a percentage of total estimated payments are approximately 2.27 percent in FY 2018. Therefore, CMS proposes to update (increase) the outlier threshold amount to **\$12,935** to maintain estimated outlier payments at 2.0 percent of total estimated aggregate IPF payments for FY 2019. The current amount is **\$11,425**

Proposed Updates to the IPF PPS Patient-Level Adjustment Factors

These items are included in the proposal's Addendum A, which is on the CMS web site at: <https://www.cms.gov/Medicare/Medicare-Fee-for-Service/Payment/InpatientPsychFacIPPS/Downloads/FY-2019-Proposed-Addendum-A-IPF-PPS-Payment-Updates.pdf>.

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:

DRG Adjustments

MS-DRG	MS-DRG Descriptions	Adjustment Factor
056	Degenerative nervous system disorders w MCC	1.05
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
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
Day 5	1.04
Day 6	1.02

	Adjustment Factor
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

Inpatient Psychiatric Facilities Quality Reporting (IPFQR) Program

The current IPFQR Program includes 18 measures. CMS is proposing to remove eight measures from the IPFQR.

Previously Finalized Measures for the FY 2020 Payment Determination and Subsequent Years are set forth in the table 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	Tobacco Use Treatment Provided or Offered at
	TOB-3a	Discharge and Tobacco Use Treatment at Discharge
1659	IMM-2	Influenza Immunization
0431	N/A	Influenza Vaccination Coverage Among Healthcare Personnel

NQF #	Measure ID	Measure
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

CMS says that if its proposals to remove the eight measures rule are finalized as proposed, eight of the previously finalized measures above (with its NQF number in red) will be removed for the FY 2020 payment determination and subsequent years, leaving ten measures in place.

Final Comment

This should be a simple and straight forward rule. However, it is confusing, seems somewhat disjointed and still contains too much ancient history and citations of prior laws and regulations going back 20 years.

Once again, updates to the various PPS programs should be simple and to the point. The reader wants to know what is changing from the prior year, and not what was done years, ago.

In the past, CMS included in the rule the material that is now Addendum A and located only on the CMS web site. Leaving it there is not helpful to the reader.

Finally, the subject of quality is too complicated and too long. The section explaining that CMS is proposing to eliminate 8 factors is clear. So is the list of the 18 current and, if finalized, the 10 remaining measures. What we do not need is the rationale for the potential elimination of the 8 measures. It is doubtful most readers care.