

# WASHINGTON

## perspectives

***An Analysis and Commentary on Federal Health Care Issues  
by Larry Goldberg***

**August 2, 2020**

### **CMS Posts Final Inpatient Psychiatric Facility PPS Update for FY 2021**



The Centers for Medicare and Medicaid Services (CMS) have issued a final rule to update the Medicare Inpatient Psychiatric Facility (IPF) Prospective Payment System (PPS) for Fiscal Year (FY) 2021.

This final rule updates the prospective payment rates, the outlier threshold, and the wage index for Medicare inpatient hospital services provided by Inpatient Psychiatric Facilities (IPF), which include psychiatric hospitals and excluded psychiatric units of an Inpatient Prospective Payment System hospital or critical access hospital. In addition, CMS is, as proposed, adopting more recent Office of Management and Budget statistical area delineations, and applying a 1-year transition for certain providers negatively impacted by wage index changes. CMS is also removing the term licensed independent practitioner(s) from the regulations for psychiatric hospitals.

The rule will be published in the August 4 ***Federal Register***. A “display” copy of the 78-page document can be downloaded at: <https://s3.amazonaws.com/public-inspection.federalregister.gov/2020-16990.pdf>. This link will change upon publication.

CMS estimates that the total impact of changes for FY 2021 payments compared to FY 2020 payments will be a net increase of approximately \$95 million. This reflects a \$90 million increase from the update to the payment rates (\$90 million increase from the second quarter 2020 IGI forecast of the 2016-based IPF market basket of 2.2 percent, and a \$0 reduction for the productivity adjustment, as well as a \$5 million increase as a result of the update to the outlier threshold amount.

#### **Comment**

CMS notes that it received 6 comments on payment policy issues, and 456 comments that were outside of the scope of the proposed rule or focused on quality reporting.

#### **Update to the FY 2021 Rates**

##### ***IPF Market Basket Increase***

The IPF market basket increase factor for FY 2021 is estimated to be 2.2 percent. It was proposed at 3.0 percent with a multi-factor productivity reduction of 0.4 percent for a net increase of 2.6 percent.

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Based on IGI's second quarter 2020 forecast with historical data through the first quarter of 2020, the FY 2021 growth rate is estimated to be **2.2 percent**. CMS notes that the first quarter 2020 forecast used for the proposed market basket update was developed prior to the economic impacts of the COVID-19 pandemic.

"This lower update (2.2 percent) for FY 2021 relative to the proposed rule (2.6 percent) is primarily driven by slower than anticipated compensation growth for both health-related and other occupations as labor markets are expected to be significantly impacted during the recession that started in February 2020 and throughout the anticipated recovery."

CMS proposed a multi-factor productivity (MFP) adjustment as mandated by **Affordable Care Act** of 0.4 percentage point. Based on the more recent data available for this final rule, the current estimate of the MFP adjustment is projected to be -0.1 percentage point.

"Mechanically subtracting the negative 10-year moving average growth of MFP from the market basket percentage increase using the data from the IGI June, 2020 macroeconomic forecast of the FY 2021 MFP adjustment would have resulted in a 0.1 percentage point increase in the FY 2021 hospice payment update percentage."

"However, under sections 1886(b)(3)(B)(xi)(I) and 1814(i)(1)(C)(v) of the Act, the Secretary is required to reduce (not increase) the hospice market basket percentage increase by changes in economy-wide productivity. Accordingly, we will be applying a 0.0 percentage point MFP adjustment to the market basket percentage increase."

### ***Labor-Related Share***

For FY 2021, the labor-related share is **77.2 percent**. The current value is 76.9 percent.

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

The current (FY 2020) federal per diem base rate is \$798.55 and the ECT payment per treatment is \$343.79.

For the final FY 2021 federal per diem base rate, CMS applied the payment rate update of 2.2 percent, less the productivity adjustment of 0 percentage point and the wage index budget neutrality factor of 0.9989 to the FY 2020 federal per diem base rate of \$798.55, yielding a final federal per diem base rate of **\$815.22** for FY 2021.

Similarly, CMS applied the 2.2 percent payment rate update and the 0.9989 wage index budget-neutrality factor to the FY 2020 ECT payment per treatment of \$343.79, yielding an ECT payment per treatment of **\$350.97** for FY 2021.

For IPFs that fail to report Quality Reporting (IPFQR) Program requirements, the agency will reduce the update factor by 2.0 percent.

### **Updates to the IPF PPS Patient-Level Adjustment Factors**

#### ***IPF PPS Patient-Level Adjustments***

The IPF PPS includes a number of payment adjustments for 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) variable per diem adjustments. The following tables are from the rule's Addendum A, which is available at: <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientPsychFacilPPS/tools.html>. CMS is continuing these adjustments at FY 2020 levels.

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Note, with regard to the comorbidity adjustments, CMS says it has updated the ICD-10-CM/PCS codes which are associated with the existing IPF PPS comorbidity categories, based upon the final FY 2021 update to the ICD-10-CM/PCS code set. The final FY 2021 ICD-10-CM/PCS updates include 12 ICD10-CM diagnosis codes added to the Poisoning comorbidity category and 223 ICD-10- PCS codes added to the Oncology Procedures comorbidity category. In addition, 4 ICD10-PCS codes were deleted from the Poisoning comorbidity category. These updates are detailed in Addenda B-2 and B-3.

**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

**MS-DRG Adjustments**

MS-DRG	MS-DRG Descriptions	Adjustment Factor
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

MS-DRG	MS-DRG Descriptions	Adjustment Factor
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

**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
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

**Updates to the IPF PPS Facility-Level Adjustments**

The IPF PPS includes facility-level adjustments for the wage index, IPFs located in rural areas, teaching IPFs, cost of living adjustments for IPFs located in Alaska and Hawaii, and IPFs with a qualifying ED. These adjustments are the same as those used in FY 2020.

**Update to the Area Wage Index**

Tables setting forth the FY 2021 Wage Index are available through the Internet on the CMS website at: <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/IPFPPS/WageIndex.html>.

CMS will, as proposed, adopt more recent OMB core-based statistical area (CBSA) delineations.

In addition, CMS will, as proposed, implement a 1-year transition policy under which the agency will apply a 5.0 percent cap in FY 2021 on any decrease in a hospital’s wage index compared to its wage index in FY 2020. This transition policy would be for a 1-year period, going into effect October 1, 2020, and continuing through September 30, 2021. That is, no cap would be applied to any reductions in the wage index for FY 2022.

CMS’ analysis shows that a total of 34 counties (and county equivalents) and 5 providers are located in areas that were previously considered part of an urban CBSA but would be considered rural beginning in FY 2021.

CMS lists 34 the urban counties that will become rural. They are as follows:

**Counties Previously Considered Part of an Urban CBSA that Will Become Rural Areas Under Revised OMB Delineations**

FIPS County Code	County/County Equivalent	State	Current CBSA	Labor Market Area
01127	Walker	AL	13820	Birmingham-Hoover, AL
12045	Gulf	FL	37460	Panama City, FL
13007	Baker	GA	10500	Albany, GA
13235	Pulaski	GA	47580	Warner Robins, GA
15005	Kalawao	HI	27980	Kahului-Wailuku-Lahaina, HI
17039	De Witt	IL	14010	Bloomington, IL
17053	Ford	IL	16580	Champaign--Urbana, IL
18143	Scott	IN	31140	Louisville/Jefferson County, KY-IN
18179	Wells	IN	23060	Fort Wayne, IN
19149	Plymouth	IA	43580	Sioux City, IA-NE-SD
20095	Kingman	KS	48620	Wichita, KS
21223	Trimble	KY	31140	Louisville/Jefferson County, KY-IN
22119	Webster	LA	43340	Shreveport-Bossier City, LA
26015	Barry	MI	24340	Grand Rapids-Wyoming, MI
26159	Van Buren	MI	28020	Kalamazoo-Portage, MI
27143	Sibley	MN	33460	Minneapolis-St. Paul-Bloomington, MN-WI

FIPS County Code	County/County Equivalent	State	Current CBSA	Labor Market Area
28009	Benton	MS	32820	Memphis, TN-MS-AR
29119	Mc Donald	MO	22220	Fayetteville-Springdale-Rogers, AR-MO
30037	Golden Valley	MT	13740	Billings, MT
31081	Hamilton	NE	24260	Grand Island, NE
38085	Sioux	ND	13900	Bismarck, ND
40079	Le Flore	OK	22900	Fort Smith, AR-OK
45087	Union	SC	43900	Spartanburg, SC
46033	Custer	SD	39660	Rapid City, SD
47081	Hickman	TN	34980	Nashville-Davidson-Murfreesboro-Franklin, TN
48007	Aransas	TX	18580	Corpus Christi, TX
48221	Hood	TX	23104	Fort Worth-Arlington, TX
48351	Newton	TX	13140	Beaumont-Port Arthur, TX
48425	Somervell	TX	23104	Fort Worth-Arlington, TX
51029	Buckingham	VA	16820	Charlottesville, VA
51033	Caroline	VA	40060	Richmond, VA
51063	Floyd	VA	13980	Blacksburg-Christiansburg-Radford, VA
53013	Columbia	WA	47460	Walla Walla, WA
53051	Pend Oreille	WA	44060	Spokane-Spokane Valley, WA

CMS says an analysis of OMB labor market area delineations shows that a total of 47 counties (and county equivalents) and 4 providers are located in areas that were previously considered rural but would now be considered urban under the revised OMB delineations.

**Counties that Will Gain Urban Status Under Revised OMB Delineations**

FIPS County Code	County/County Equivalent	State Name	New CBSA	Counties
01063	Greene	AL	46220	Tuscaloosa, AL
01129	Washington	AL	33660	Mobile, AL
05047	Franklin	AR	22900	Fort Smith, AR-OK
12075	Levy	FL	23540	Gainesville, FL
13259	Stewart	GA	17980	Columbus, GA-AL
13263	Talbot	GA	17980	Columbus, GA-AL
16077	Power	ID	38540	Pocatello, ID
17057	Fulton	IL	37900	Peoria, IL
17087	Johnson	IL	16060	Carbondale-Marion, IL
18047	Franklin	IN	17140	Cincinnati, OH-KY-IN
18121	Parke	IN	45460	Terre Haute, IN

FIPS County Code	County/County Equivalent	State Name	New CBSA	Counties
18171	Warren	IN	29200	Lafayette-West Lafayette, IN
19015	Boone	IA	11180	Ames, IA
19099	Jasper	IA	19780	Des Moines-West Des Moines, IA
20061	Geary	KS	31740	Manhattan, KS
21043	Carter	KY	26580	Huntington-Ashland, WV-KY-OH
22007	Assumption	LA	12940	Baton Rouge, LA
22067	Morehouse	LA	33740	Monroe, LA
25011	Franklin	MA	44140	Springfield, MA
26067	Ionia	MI	24340	Grand Rapids-Kentwood, MI
26155	Shiawassee	MI	29620	Lansing-East Lansing, MI
27075	Lake	MN	20260	Duluth, MN-WI
28031	Covington	MS	25620	Hattiesburg, MS
28051	Holmes	MS	27140	Jackson, MS
28131	Stone	MS	25060	Gulfport-Biloxi, MS
29053	Cooper	MO	17860	Columbia, MO
29089	Howard	MO	17860	Columbia, MO
30095	Stillwater	MT	13740	Billings, MT
37007	Anson	NC	16740	Charlotte--Concord-Gastonia, NC-SC
37029	Camden	NC	47260	Virginia Beach-Norfolk-Newport News, VA-NC
37077	Granville	NC	20500	Durham-Chapel Hill, NC
37085	Harnett	NC	22180	Fayetteville, NC
39123	Ottawa	OH	45780	Toledo, OH
45027	Clarendon	SC	44940	Sumter, SC
47053	Gibson	TN	27180	Jackson, TN
47161	Stewart	TN	17300	Clarksville, TN-KY
48203	Harrison	TX	30980	Longview, TX
48431	Sterling	TX	41660	San Angelo, TX
51097	King and Queen	VA	40060	Richmond, VA
51113	Madison	VA	47894	Washington-Arlington-Alexandra, DC-VA-MD-WV
51175	Southampton	VA	47260	Virginia Beach-Norfolk-Newport News, VA-NC
51620	Franklin City	VA	47260	Virginia Beach-Norfolk-Newport News, VA-NC
54035	Jackson	WV	16620	Charleston, WV
54065	Morgan	WV	25180	Hagerstown-Martinsburg, MD-WV
55069	Lincoln	WI	48140	Wausau-Weston, WI
72001	Adjuntas	PR	38660	Ponce, PR
72083	Las Marias	PR	32420	Mayagüez, PR

CMS has identified 49 IPF providers located in the counties listed in the table below. If providers located in these counties move from one CBSA to another under the revised OMB delineations, there may be impacts, both negative and positive, upon their specific wage index values.

**Urban Counties that Would Move to a Newly Proposed or Modified CBSA Under Revised OMB Delineations**

FIPS County Code	County Name	State	Current CBSA	Current CBSA Name	New CBSA Code	Proposed CBSA Name
17031	Cook	IL	16974	Chicago-Naperville-Arlington Heights, IL	16984	Chicago-Naperville-Evanston, IL
17043	Du Page	IL	16974	Chicago-Naperville-Arlington Heights, IL	16984	Chicago-Naperville-Evanston, IL
17063	Grundy	IL	16974	Chicago-Naperville-Arlington Heights, IL	16984	Chicago-Naperville-Evanston, IL
17093	Kendall	IL	16974	Chicago-Naperville-Arlington Heights, IL	20994	Elgin, IL
17111	Mc Henry	IL	16974	Chicago-Naperville-Arlington Heights, IL	16984	Chicago-Naperville-Evanston, IL
17197	Will	IL	16974	Chicago-Naperville-Arlington Heights, IL	16984	Chicago-Naperville-Evanston, IL
34023	Middlesex	NJ	35614	New York-Jersey City-White Plains, NY-NJ	35154	New Brunswick-Lakewood, NJ
34025	Monmouth	NJ	35614	New York-Jersey City-White Plains, NY-NJ	35154	New Brunswick-Lakewood, NJ
34029	Ocean	NJ	35614	New York-Jersey City-White Plains, NY-NJ	35154	New Brunswick-Lakewood, NJ
34035	Somerset	NJ	35084	Newark, NJ-PA	35154	New Brunswick-Lakewood, NJ
36027	Dutchess	NY	20524	Dutchess County-Putnam County, NY	39100	Poughkeepsie-Newburgh-Middletown, NY
36071	Orange	NY	35614	New York-Jersey City-White Plains, NY-NJ	39100	Poughkeepsie-Newburgh-Middletown, NY
36079	Putnam	NY	20524	Dutchess County- Putnam County, NY	35614	New York-Jersey City-White Plains, NY-NJ
47057	Grainger	TN	28940	Knoxville, TN	34100	Morristown, TN
54043	Lincoln	WV	26580	Huntington-Ashland, WV-KY-OH	16620	Charleston, WV
72055	Guanica	PR	38660	Ponce, PR	49500	Yauco, PR
72059	Guayanilla	PR	38660	Ponce, PR	49500	Yauco, PR
72111	Penuelas	PR	38660	Ponce, PR	49500	Yauco, PR
72153	Yauco	PR	38660	Ponce, PR	49500	Yauco, PR

**Transition Policy for Providers Negatively Impacted by Wage Index Changes**

CMS says it will provide a “2-year transition” to providers adversely impacted by the adoption of the revised CBSA delineations. For FY 2021, an IPF’s wage index would be capped at 5.0 percent. No cap would be applied to the reduction in the wage index for the second year, that is, FY 2022. To us this is a 1-year adjustment.



### **Adjustment for Rural Location**

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

### **Outlier Update**

CMS established a 2.0 percent outlier policy. Based on an analysis of updated data, CMS estimates that IPF outlier payments as a percentage of total estimated payments were approximately 1.9 percent in FY 2020.

Therefore, CMS is finalizing an outlier threshold amount of **\$14,630** to maintain estimated outlier payments at 2.0 percent of total estimated aggregate IPF payments for FY 2021. The current value is \$14,960.

### **Special Requirements for Psychiatric Hospitals (§ 482.61(d))**

CMS will now allow the use of non-physician practitioners, or APPs, to document progress notes of patients receiving services in psychiatric hospitals, in addition to medical doctors, doctors of osteopathy (MDs)/(DOs) as is currently allowed.

CMS is confirming as final the revisions to the provision at § 482.61(d) in the "Special Medical Record Requirements for Psychiatric Hospitals" CoP published in the April 6, 2020 IFC (85 FR 19230), without change.

### **Inpatient Psychiatric Facilities Quality Reporting (IPFQR) Program**

CMS did not propose any changes to the IPFQR Program for FY 2021 or subsequent years; therefore, CMS is not finalizing any changes to the IPFQR Program.

### **Final Comments**

This final rule contains several citations saying "if we adopt the new OMB delineations." This appears to be an error. The cite is from the proposed rule.

CMS may have scrambled to have this rule posted on the **Federal Register** Public Inspection platform on Friday, July 31. OMB notes it approved the rule on July 31.

CMS is required to post final rules at least 60-days before they can be effective.

CMS includes material addressing a 'Waiver of the 60-Day Delayed Effective Date for the Final Rule.' (See pages 3 and 4 of the display copy). This material is not needed. The rule was issued 60-days before implementation and will be effective on October 1.