

WASHINGTON

perspectives

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

July 30, 2023

CMS Releases Final FY 2024 Inpatient Psychiatric Facility PPS Update



The Centers for Medicare and Medicaid Services (CMS) have issued their final rule to update the Medicare Inpatient Psychiatric Facility (IPF) Prospective Payment System (PPS) for Fiscal Year (FY) 2024.

A copy of the 291-page document is available at: <https://public-inspection.federalregister.gov/2023-16083.pdf>. The **Federal Register** publication date is scheduled for August 2.

Addendum A summarizes the fiscal year (FY) 2024 IPF PPS payment rates, outlier threshold, cost of living adjustment factors (COLA) for Alaska and Hawaii, national and upper limit cost-to-charge ratios, and adjustment factors.

Addenda B shows the complete listing of ICD-10 Clinical Modification (CM) and Procedure Coding System (PCS) codes, the FY 2024 IPF PPS comorbidity adjustment, and electroconvulsive therapy (ECT) procedure codes.

Tables setting forth the FY 2024 Wage Index for Urban Areas Based on Core Based Statistical Area (CBSA) Labor Market Areas and the FY 2024 Wage Index Based on CBSA Labor Market Areas for Rural Areas are available at: www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/IPFPPS/WageIndex.html.

MAJOR PROVISIONS

Inpatient Psychiatric Facilities Prospective Payment System (IPF PPS)

CMS is:

- Adjusting the 2021-based IPF market basket update (3.5 percent) for economy-wide productivity (0.2 percentage point) as required by section 1886(s)(2)(A)(i) of the Social Security Act (the Act), resulting in a final IPF payment rate update of 3.3 percent for FY 2024.
- Modifying the regulations to allow the status of a hospital psychiatric unit to be changed from not excluded to excluded, and therefore paid under the IPF PPS at any time during a cost reporting period if certain requirements are met.
- Revising and rebasing the IPF market basket to reflect a 2021 base year.

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- Making technical rate setting updates;
 - The IPF PPS Federal per diem base rate increases from \$865.63 to **\$895.63**.
 - The IPF PPS Federal per diem base rate for providers who fail to report quality data will be **\$878.29**.
 - The ECT payment per treatment increases from \$372.67 to **\$385.58**.
 - The ECT payment per treatment for providers who fail to report quality data to **\$378.12**.
 - The labor-related share from 77.4 percent to **78.7 percent**.
 - The wage index budget-neutrality factor to **1.0016**.
 - The fixed dollar loss threshold amount from \$24,630 to **\$33,470** to maintain estimated outlier payments at 2.0 percent of total estimated aggregate IPF PPS payments.

Inpatient Psychiatric Facilities Quality Reporting (IPFQR) Program

CMS is:

- Adopting the Facility Commitment to Health Equity measure beginning with the FY 2026 payment determination;
- Adopting the Screening for Social Drivers of Health measure beginning with voluntary reporting of CY 2024 data and beginning with required reporting of CY 2025 data for the FY 2027 payment determination;
- Adopting the Screen Positive Rate for Social Drivers of Health measure beginning with voluntary reporting of CY 2024 data and beginning with required reporting of CY 2025 data for the FY 2027 payment determination;
- Adopting the Psychiatric Inpatient Experience (PIX) survey to measure patient experience of care in the IPF setting beginning with voluntary reporting of CY 2025 data and followed by mandatory reporting of CY 2026 data for the FY 2028 payment determination;
- Modifying the Coronavirus disease 2019 (COVID-19) Vaccination Coverage Among Health Care Personnel (HCP) measure to align the measure with updated measure specifications developed by the Centers for Disease Control and Prevention (CDC), which address refinements reflecting the availability, and FDA authorization, of Moderna and Pfizer-BioNTech COVID-19 vaccines for use as booster doses, beginning with fourth quarter CY 2023 data for the FY 2025 payment determination and, following this first single-quarter reporting period, reporting for the full calendar year beginning with CY 2024 data for the FY 2026 payment determination;
- Removing the following two measures beginning with the FY 2025 payment determination and subsequent years:
 - Patients Discharged on Multiple Antipsychotic Medications with Appropriate Justification (HBIPS-5); and
 - Tobacco Use Brief Intervention Provided or Offered and Tobacco Use Brief Intervention Provided (TOB-2/2a) measure;
- Adopting a data validation pilot program starting with data submitted in CY 2025 and continuing until a full data validation program is proposed and adopted in future rulemaking; and
- Codifying the IPFQR Program's procedural requirements related to statutory authority, participation and withdrawal, data submission, quality measure retention and removal, extraordinary circumstances exceptions, and public reporting at 42 CFR 412.433 Procedural requirements under the IPFQR Program.

Summary of Impacts

Provision Description	Total Transfers & Cost Reductions
FY 2024 IPF PPS payment update	The overall economic impact of this proposed rule is an estimated \$55 million in increased payments to IPFs during FY 2024.
FY 2024 IPFQR Program update.	The overall economic impact of the IPFQR Program proposals in this proposed rule is an estimated decrease of 505,247 hours in information collection burden resulting in a savings of \$12,431,700.

PROVISIONS OF THE FY 2024 IPF PPS PAYMENT UPDATE

Rebasing and Revising of the Market Basket for the IPF PPS (Page 11)

Perhaps the major change in revising the market basket is a change regarding labor amounts. The labor percentage will increase from 77.4 to 78.5 percent.

Comment

The discussion of the revision consumes some 40 pages.

FY 2024 Market Basket Update and Productivity Adjustment (Page 52)

Based on IGI’s second quarter 2023 forecast with historical data through the first quarter of 2023, the 2021-based IPF market basket increase percentage for FY 2024 is **3.5 percent**. It was proposed at 3.2 percent.

The 10-year moving average growth of total factor productivity (TFP) for FY 2024 is projected to be **0.2 percent**.

Therefore, the FY 2024 IPF update is equal to **3.3 percent** (3.5 percent market basket update reduced by the 0.2 percentage point productivity adjustment).

Labor-Related Share for FY 2024 (Page 60)

The total labor-related share for FY 2024 based on more recent data is 78.7 percent (the sum of 75.6 percent for the operating costs and 3.1 percent for the labor-related share of Capital-Related costs).

The rule’s Table 15 (below) shows the FY 2024 labor-related share using the 2021-based IPF market basket relative importance and the FY 2023 labor-related share using the 2016-based IPF market basket.

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FY 2024 IPF Labor-Related Share and FY 2023 IPF Labor-Related Share

	FY 2024 Labor-related Share based on 2021-based IPF Market Basket	FY 2023 Labor-related Share based on 2016-based IPF Market Basket
Wages and Salaries	53.4	53.2
Employee Benefits	14.2	13.5

	FY 2024 Labor-related Share based on 2021-based IPF Market Basket	FY 2023 Labor-related Share based on 2016-based IPF Market Basket
Professional Fees: Labor-related	4.7	4.3
Administrative and Facilities Support Services	0.6	0.6
Installation, Maintenance and Repair Services	1.2	1.3
All Other: Labor-related Services	1.5	1.5
Subtotal	75.6*	74.4
Labor-related portion of capital (46%)	3.1*	3.0
Total LRS	78.5*	77.4

*[Note; 75.6 + 3.1 = 78.7, not 78.5 as shown above]

Update of the Federal Per Diem Base Rate and Electroconvulsive Therapy Payment Per Treatment (Page 60)

The current (FY 2023) Federal per diem base rate is \$865.63, and the ECT payment per treatment is \$372.67. For the final FY 2024 Federal per diem base rate, CMS applied the payment rate update of 3.3 percent—that is, the 2021-based IPF market basket increase for FY 2024 of 3.5 percent less the productivity adjustment of 0.2 percentage point—and the wage index budget neutrality factor of 1.0016 to the FY 2023 Federal per diem base rate of \$865.63, yielding a final Federal per diem base rate of **\$895.63** for FY 2024.

Similarly, CMS applied the 3.3 percent payment rate update and the 1.0016 wage index budget-neutrality factor to the FY 2023 ECT payment per treatment of \$372.67, yielding a final ECT payment per treatment of **\$385.58** for FY 2024.

For IPFs that fail requirements under the IPFQR Program, CMS applied a 1.3 percent payment rate update—that is, the IPF market basket increase for FY 2024 of 3.5 percent less the productivity adjustment of 0.2 percentage point for an update of 3.3 percent, and further reduced by 2.0 percentage points in accordance with section 1886(s)(4)(A)(i) of the Act—and the wage index budget-neutrality factor of 1.0016 to the FY 2023 Federal per diem base rate of \$865.63, yielding a Federal per diem base rate of **\$878.29** for FY 2024.

For IPFs that fail to meet requirements under the IPFQR Program, CMS applied a 1.3 percent annual payment rate update and a 1.0016 wage index budget-neutrality factor to the FY 2023 ECT payment per treatment of \$372.67 yielding an ECT payment per treatment of **\$378.12** for FY 2024.

UPDATES TO THE IPF PPS PATIENT-LEVEL ADJUSTMENT FACTORS (Page 74)

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>.

Comment

These adjustments for FY 2024 are the same as FY 2023. Nonetheless, we are identifying them, again.

MS-DRG Adjustments (Page 63)

For FY 2024, CMS did not propose any changes to the IPF MS-DRG adjustment factors. Therefore, CMS is retaining the 17 existing IPF MS-DRG adjustment factors.

Psychiatric principal diagnoses that do not group to one of the 17 designated MS-DRGs below will still receive the Federal per diem base rate and all other applicable adjustments, but the payment will not include an MS-DRG adjustment.

The FY 2024 IPPS/LTCH PPS final rule will include tables of the changes to the ICD-10-CM/PCS code sets, which underlie the FY 2024 IPF MS-DRGs. Both the FY 2024 IPPS final rule and the tables of final changes to the ICD-10-CM/PCS code sets, which underlie the FY 2024 MS-DRGs, will be available on the CMS IPPS website at: www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/index.html.

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
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

Code First (Page 76)

CMS is finalizing the deletion of 1 ICD-10-CM code and the addition of 5 ICD-10-CM codes as “code first” codes. There are 26 codes whose “code first” codes are being updated in the IPF Code First Table to reflect these changes. The FY 2024 Code First table is shown in Addendum B on the CMS website at: www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientPsychFacilPPS/tools.html.

Comorbidity Adjustments (Page 78)

The FY 2024 comorbidity adjustment factors are found in Addendum A, and available on the CMS website.

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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

CMS will add 2 ICD-10-CM codes and remove 1 ICD-10-CM code from the Chronic Renal Failure category. In addition, CMS is adding 2 ICD-10-CM codes to the Chronic Obstructive Pulmonary Disease category, 1 ICD-10-CM code to the Infectious Disease category, 4 ICD-10-CM codes to the Poisoning category, 6 ICD-10-PCS codes for the Oncology Treatment Procedure category. For the Oncology Treatment Diagnosis Category, CMS is adding 12 ICD-10-CM codes and deleting 2 ICD-10-CM codes. Finally, for the Acute Renal Failure Category, CMS is adding 1 ICD-10-CM code and deleting 1 ICD-10-CM code.

CMS notes that “in accordance with our longstanding practice for the IPF PPS and with § 412.428(e), we are adopting these latest ICD-10-CM changes for October, 2023 and describing these changes in this FY 2024 IPF PPS final rule.”

Age Adjustments (Page 80)

For FY 2024, CMS will continue to use the patient age adjustments currently in effect in FY 2023.

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 (Page 81)

CMS will continue to use the variable per diem adjustment factors currently in effect.

	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 (Page 81)

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.

Update to the Area Wage Index (Page 81)

Tables setting forth the FY 2024 Wage Index values are at: <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/IPFPPS/WageIndex.html>.

CMS will continue to use the concurrent pre-floor, pre-reclassified IPPS hospital wage index as the basis for the IPF wage index.

Adjustment for Rural Location (Page 90)

For FY 2024, CMS will continue to apply a 17 percent payment adjustment for IPFs located in a rural area.

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Budget Neutrality Adjustment (Page 91)

The FY 2024 budget-neutral wage adjustment factor is 1.0016.

Teaching Adjustment (Page 91)

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

Cost of Living Adjustment (COLA) for IPFs Located in Alaska and Hawaii (Page 95)

Table below shows the IPF PPS COLA factors effective for FY 2022 through FY 2025.

IPF PPS Cost-of-Living- Adjustment Factors: IPFs Located in Alaska and Hawaii

Area	FY 2022 through FY 2025
Alaska:	
City of Anchorage and 80-kilometer (50-mile) radius by road	1.22
City of Fairbanks and 80-kilometer (50-mile) radius by road	1.22
City of Juneau and 80-kilometer (50-mile) radius by road	1.22
Rest of Alaska	1.24
Hawaii:	
City and County of Honolulu	1.25
County of Hawaii	1.22
County of Kauai	1.25
County of Maui and County of Kalawao	1.25

Adjustment for IPFs with a Qualifying Emergency Department (ED) (Page 96)

For FY 2024, CMS will retain the 1.31 adjustment factor for IPFs with qualifying EDs.

OTHER PROPOSED PAYMENT ADJUSTMENTS AND POLICIES (Page 97)

Outlier Update (Page 97)

Based on the latest available data, CMS is finalizing an outlier fixed dollar loss threshold amount of **\$33,470** for FY 2024.

CMS had proposed the outlier threshold amount to be \$34,750. The current amount is \$24,630.

Modification to the Regulation for Excluded Psychiatric Units Paid Under the IPF PPS (Page 105)

CMS modifying the requirements currently in regulation at § 412.25(c)(1) to allow a hospital to open a new IPF unit any time within the cost reporting year, as long as the hospital notifies the CMS Regional Office and Medicare Administrative Contractor (MAC) in writing of the change at least 30 days before the date of the change.

INPATIENT PSYCHIATRIC FACILITY QUALITY REPORTING (IPFQR) PROGRAM (Page 126)

The current IPFQR Program includes 14 measures for the FY 2024 payment determination.

Adoption of the Facility Commitment to Health Equity Measure Beginning with the CY 2024 Reporting Period (Data Submitted in CY 2025)/FY 2026 Payment Determination (Page 131)

This measure assesses an IPF's commitment to health equity by asking the IPF to attest to its efforts to address health equity across five domains: (1) Equity is a Strategic Priority; (2) Data Collection; (3) Data Analysis; (4) Quality Improvement; and (5) Leadership Engagement.

Adoption of the Screening for Social Drivers of Health Measure Beginning with Voluntary Reporting of CY 2024 Data Followed by Mandatory Reporting Beginning with CY 2025 Data/FY 2027 Payment Determination (Page 149)

This measure assesses the percentage of patients, aged 18 years and over at time of admission, who are screened for five specific health-related social needs (HRSNs) — food insecurity, housing instability, transportation needs, utility difficulties, and interpersonal safety.

Adoption of the Screen Positive Rate for Social Drivers of Health Measure Beginning with Voluntary Reporting of CY 2024 Data and Followed by Mandatory Reporting Beginning with CY 2025 Data/FY 2027 Payment Determination (Page 176)

This process measure assesses the percent of patients screened under the Screening for SDOH measure who screen positive for each of the five health-related social needs (HRSNs).

Adoption of the Psychiatric Inpatient Experience (PIX) Survey Beginning with Voluntary Reporting of CY 2025 Data Followed by Mandatory Reporting Beginning with CY 2026 Data/FY 2028 Payment Determination (Page 189)

CMS is adopting one patient experience of care measure, which would fulfill the requirement under the CAA, 2023 to add a measure to the IPFQR Program on a patient's perspective of care. The Psychiatric Inpatient Experience (PIX) survey measure calculates one overall score and scores on four domains (relationship with treatment team, nursing presence, treatment effectiveness, and healing environment) based on patient responses to a 23-item survey administered within 24 hours prior to discharge.

Modification of the COVID-19 Vaccination Coverage Among Healthcare Personnel (HCP) Measure Beginning with the Quarter 4 CY 2023 Reporting Period/FY 2025 Payment Determination (Page 212)

The modification of this measure tracks the percentage of healthcare personnel (HCP) in IPFs who are considered "up-to-date" with recommended COVID-19 vaccination in accordance with the CDC's most recent guidance.

Removal or Retention of IPFQR Program Measures (Page 229)

CMS will remove two measures beginning with the FY 2025 payment determination. The first measure is the Patients Discharged on Multiple Antipsychotic Medications with Appropriate Justification (HBIPS-5) measure. The second measure is the Tobacco Use Brief Intervention Provided or Offered and Tobacco Use Brief Intervention Provided (TOB-2/2a) measure.

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Comment

As evidenced by the page numbers, CMS devotes extensive dialogue to each of the quality changes. The quality section extends more than 100 pages. There is much that needs to be understood.