

# WASHINGTON

## perspectives

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

**July 31, 2021**

### **CMS Releases Final FY 2022 Inpatient Psychiatric Facility PPS Update**



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) 2022.

This rule updates the prospective payment rates, the outlier threshold, and the wage index for Medicare inpatient hospital services provided by Inpatient Psychiatric Facilities (IPFs) for discharges occurring during the FY 2022 beginning October 1, 2021 through September 30, 2022.

This rule also updates and clarifies the IPF teaching policy with respect to IPF hospital closures and displaced residents and proposes a technical change to the 2016-based IPF market basket price proxies.

In addition, the rule updates quality measures and reporting requirements under the Inpatient Psychiatric Facilities Quality Reporting

(IPFQR) Program.

A copy of the 201-page document is currently available at: <https://public-inspection.federalregister.gov/2021-16336.pdf>. The rule is scheduled to be published on August 4, 2021, upon which this link will be superseded.

Addendum A summarizes the FY 2022 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. Addendum B shows the complete listing of ICD-10 Clinical Modification (CM) and Procedure Coding System (PCS) codes, the FY 2022 IPF PPS comorbidity adjustment, and electroconvulsive therapy (ECT) procedure codes.

Addenda A and B are available online at: <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientPsychFacilPPS/tools.html>.

#### **Comment**

CMS now estimates that the FY 2022 impact will be a net increase of \$80 million in payments to IPF providers. This reflects an estimated \$75 million increase from the update to the payment

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rates and a \$5 million increase due to the update to the outlier threshold amount to set total estimated outlier payments at 2.0 percent of total estimated payments in FY 2022.

CMS proposed an increase of \$90 million.

Provision Description	Total Transfers & Cost Reductions
FY 2022 IPF PPS payment update	The overall economic impact of this final rule is an estimated \$80 million in increased payments to IPFs during FY 2022.
FY 2023 IPFQR Program update.	The overall economic impact of the IPFQR Program provisions of this final rule is an estimated \$512,065 reduction in information collection burden.

**FY 2022 IPF Market Basket Update**

CMS says that based on more recent data available for the IPF final rule (that is, IGI’s second quarter 2021 forecast of the 2016-based IPF market basket with historical data through the first quarter of 2021), CMS now estimates that the IPF FY 2022 market basket update is 2.7 percent.

The current estimate of the productivity adjustment for FY 2022 is 0.7 percentage point.

Therefore, the current estimate of the FY 2022 IPF increase factor is equal to **2.0 percent** (2.7 percent market basket update reduced by 0.7 percentage point productivity adjustment).

The proposed update rate was 2.1 percent (2.3 – 0.2 = 2.1).

**Labor-Related Share**

For FY 2022, the labor-related share will be **77.2 percent**. The current share is 77.3 percent.

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

The current (FY 2021) Federal per diem base rate is \$815.22 and the ECT payment per treatment is \$350.97.

For the final FY 2022 Federal per diem base rate, CMS applied the payment rate update of 2.0 percent—that is, the 2016-based IPF market basket increase for FY 2022 of 2.7 percent less the productivity adjustment of 0.7 percentage point—and the wage index budget neutrality factor of 1.0017 to the FY 2021 Federal per diem base rate of \$815.22, yielding a final Federal per diem base rate of **\$832.94** for FY 2022.

Similarly, CMS applied the 2.0 percent payment rate update and the 1.0017 wage index budget-neutrality factor to the FY 2021 ECT payment per treatment of \$350.97, yielding a final ECT payment per treatment of **\$358.60** for FY 2022.

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>.

**MS-DRG Adjustments**

<b>MS-DRG</b>	<b>MS-DRG Descriptions</b>	<b>Adjustment Factor</b>
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**

<b>Comorbidity</b>	<b>Adjustment Factor</b>
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

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Comorbidity	Adjustment Factor
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
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

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	Adjustment Factor
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 final FY 2022 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 is finalizing the proposal to 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**

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

**Teaching Adjustment**

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

**Outlier Update**

CMS established a 2.0 percent outlier policy. CMS is finalizing the update to the outlier threshold amount to \$14,470 to maintain estimated outlier payments at 2.0 percent of total estimated aggregate IPF payments for FY 2022. This final update is a decrease from the FY 2021 threshold of \$14,630.

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

**Comment**

Please note that the quality material in this rule extends some 113 pages or 56 percent of the rule itself. As we have noted in most of our recent analyses, quality keeps growing. The proposed quality material for the inpatient psychiatric rule was only 65 pages, consuming 43 percent of the rule.

**COVID-19 Vaccination Coverage Among Health Care Personnel (HCP) Measure for the FY 2023 Payment Determination and Subsequent Years**

For the FY 2023 payment determination and subsequent years, CMS is finalizing its proposal to adopt the COVID-19 Vaccination Coverage Among Healthcare Personnel (HCP) measure to the IPF QRP. The measure addresses the quality priority of "Promote Effective Prevention & Treatment of Chronic Disease" through the Meaningful Measures domain of Preventive Care. The process measure was developed by the Centers for Disease Control and Prevention (CDC) to track COVID-19 vaccination coverage among

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HCP in the IPF setting. This measure will be reported using the COVID-19 Modules on the CDC’s National Healthcare Safety Network web portal.

***Follow-Up After Psychiatric Hospitalization (FAPH) Measure for the FY 2024 Payment Determination and Subsequent Years***

For the FY 2024 payment determination and subsequent years, CMS is finalizing its proposal to adopt the Follow-up After Psychiatric Hospitalization (FAPH) measure to the IPF QRP. This claims-based measure uses an expanded cohort based on the Follow-up After Hospitalization for Mental Illness (FUH) measure, which is currently in the IPF QRP, to include patients with substance use disorders. It also includes more provider types than the FUH measure for who can provide follow-up care, such as primary care providers. CMS is finalizing its proposal to remove the FUH measure from the IPF QRP because the FAPH measure is more broadly applicable to a larger patient population.

The FAPH measure is an expanded and enhanced version of the Follow-Up After Hospitalization for Mental Illness (FUH, NQF #0576) measure currently in the IPFQR Program.

***Retention of the Alcohol Use Brief Intervention Provided or Offered and Alcohol Use Brief Intervention (SUB-2/2a) measure Beginning with FY 2024 Payment Determination***

CMS is not finalizing removal of the Alcohol Use Brief Intervention Provided or Offered and Alcohol Use Brief Intervention (SUB-2/2a) measure or the Tobacco Use Treatment Provided or Offered and Tobacco Use Treatment (TOB-2/2a) measure in response to comments indicating that these measures still provide benefits that outweigh the costs of retaining them in the IPF QRP measure set.

***Removal of the Timely Transmission of Transition Record (Discharges from an Inpatient Facility to Home/Self Care or Any Other Site of Care) measure Beginning with FY 2024 Payment Determination***

CMS proposed to remove three chart-abstracted measures from the IPF QRP for the FY 2024 payment determination and subsequent years because the costs associated with these measures outweigh the benefits of continuing to retain them in the IPF QRP. CMS is finalizing removal of one of these measures (Timely Transmission of Transition Record (Discharges from an Inpatient Facility to Home/Self Care or any Other Site of Care)). The removal of this chart-abstracted measure reduces information collection burden by nearly 290,000 hours or approximately \$0.5 million per year across all IPFs.

***Removal of the Follow-Up After Hospitalization for Mental Illness (FUH, NQF #0576) Beginning with FY 2024 Payment Determination***

CMS is finalizing its proposal to remove Follow-Up After Hospitalization for Mental Illness (FUH, NQF #0576) measure beginning with the FY 2024 payment determination.

***Summary of IPFQR Program Measures***

There are 14 previously finalized measures for the FY 2023 payment determination and subsequent years. CMS is adopting one measure for the FY 2023 payment determination and subsequent years. The 15 measures which will be in the program are shown in the table below.

***IPFQR Program Measure Set for the FY 2023 Payment Determination and Subsequent Years***

NQF #	Measure ID	Measure
0640	HBIPS-2	Hours of Physical Restraint Use
0641	HBIPS-3	Hours of Seclusion Use

NQF #	Measure ID	Measure
0560	HBIPS-5	Patients Discharged on Multiple Antipsychotic Medications with Appropriate Justification
0576	FUH	Follow-Up After Hospitalization for Mental Illness
N/A	SUB-2 and SUB-2a	Alcohol Use Brief Intervention Provided or Offered and SUB-2a Alcohol Use Brief Intervention
N/A	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
N/A	TOB-2 and TOB-2a	Tobacco Use Treatment Provided or Offered and TOB-2a Tobacco Use Treatment
N/A	TOB-3 and TOB-3a	Tobacco Use Treatment Provided or Offered at Discharge and TOB-3a Tobacco Use Treatment at Discharge
1659	IMM-2	Influenza Immunization
N/A	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)
N/A	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
3205	Med Cont	Medication Continuation Following Inpatient Psychiatric Discharge
TBD	COVID HCP	COVID-19 Healthcare Personnel (HCP) Vaccination Measure

**IPFQR Program Measures for the FY 2024 Payment Determination and Subsequent Years**

CMS is finalizing its proposal to remove one measure (FUH) and replace one measure (FAPH) for the FY 2024 payment determination and subsequent years.

**Final Comments**

Except for a lack of a table of contents and too much history, this proposal is well written.

The payment provisions are straight forward and easy to follow. Again, the quality provisions are extensive and involve many issues.

It appears the Office of Management and Budget is requiring CMS to prepare more extensive information regarding the costs and burdens involved in collecting data. CMS’ estimates for FY 2022 requirements approximate \$125-\$135 million.

We have said this before, but it’s worth repeating. CMS says that it is removing several measures that are no longer cost efficient. Nonetheless, the narratives of these and other items state that CMS believed that these measures were needed and appropriate at the time of their adoptions. It is interesting to observe the rationales for removal after just a few years.