

Issue Brief

FEDERAL ISSUE BRIEF



Analysis provided for MHA by Larry Goldberg, Goldberg Consulting

April 5, 2023

CMS Posts Proposed FY 2024 Inpatient Psychiatric Facility PPS Update

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

A copy of the 216-page document is available at: <https://public-inspection.federalregister.gov/2023-07122.pdf>. The publication date is scheduled for April 10. A comment period ending June 5 is provided.

Summary of the Major Provisions

Inpatient Psychiatric Facilities Prospective Payment System (IPF PPS)

CMS proposes to:

- Modify 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.
- Solicit comments to inform revisions to IPF PPS payments for FY 2025, as required by the **Consolidated Appropriations Act (CAA), 2023**.
- Revise and rebase the IPF market basket to reflect a 2021 base year.
- Make technical rate setting updates such that;
 - The IPF PPS Federal per diem base rate increases from \$865.63 to **\$892.58**.
 - The IPF PPS Federal per diem base rate for providers who failed to report quality data would be **\$875.25**.
 - The ECT payment per treatment increases from \$372.67 to **\$384.27**.
 - The ECT payment per treatment for providers who failed to report quality data to **\$376.81**.
 - The labor-related share from 77.4 percent to **78.5 percent**.
 - The wage index budget-neutrality factor to **1.0011**.
 - The fixed dollar loss threshold amount from \$24,630 to **\$34,750** to maintain estimated outlier payments at 2.0 percent of total estimated aggregate IPF PPS payments.

Inpatient Psychiatric Facilities Quality Reporting (IPFQR) Program

CMS proposes to:

- Adopt the Facility Commitment to Health Equity measure beginning with the FY 2026 payment determination;
- Adopt 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;

- Adopt 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;
- Adopt 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 beginning with required reporting of CY 2026 data for the FY 2028 payment determination;
- Modify the Coronavirus disease 2019 (COVID-19) Vaccination Coverage Among Health Care Personnel (HCP) measure to apply the Centers for Disease Control and Prevention’s (CDC’s) definition of “up-to-date” for COVID-19 vaccination, incorporating booster doses, beginning with fourth quarter CY 2023 data for FY 2025 payment determination and, following this first single-quarter reporting period, reporting for full calendar year beginning with CY 2024 data for FY 2026 payment determination;
- Remove 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;
- Adopt 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
- Codify 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

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

Perhaps the major change in revising the market basket is a change, as noted above, regarding labor versus non-labor amounts. The labor percentage would increase from 77.4 to 78.5 percent.

Comment

The discussion of the revision consumes some 40 pages.

Proposed FY 2024 Market Basket Update and Productivity Adjustment (Page 50)

Using IHS Global Inc.'s (IGI's) fourth quarter 2022 forecast with historical data through the third quarter of 2022, the projected proposed 2021-based IPF market basket increase factor for FY 2024 is **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 proposed FY 2024 IPF update is equal to **3.0 percent** (3.2 percent market basket update reduced by the 0.2 percentage point productivity adjustment).

Proposed Labor-Related Share for FY 2024 (Page 53)

The table below shows the FY 2024 labor-related share using the proposed 2021-based IPF market basket relative importance and the FY 2023 labor-related share using the 2016-based IPF market basket.

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

	FY 2024 Labor-related Share based on Proposed 2021-based IPF Market Basket	FY 2023 Final Labor-related Share based on 2016-based IPF Market Basket
Wages and Salaries	53.3	53.2
Employee Benefits	14.2	13.5
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	1.4	1.5
Subtotal	75.4	74.4
Labor-related portion of capital (46%)	3.1	3.0
Total LRS	78.5	77.4

Proposed 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 proposed FY 2024 Federal per diem base rate, CMS applied the payment rate update of 3.0 percent—that is, the 2021-based IPF market basket increase for FY 2024 of 3.2 percent less the productivity adjustment of 0.2 percentage point—and the wage index budget-neutrality factor of 1.0011 to the FY 2023 Federal per diem base rate of \$865.63, yielding a proposed Federal per diem base rate of **\$892.58** for FY 2024. Similarly, CMS applied the proposed 3.0 percent payment rate update and the 1.0011 wage index budget-neutrality factor to the FY 2023 ECT payment per treatment of \$372.67, yielding a proposed ECT payment per treatment of **\$384.27** for FY 2024.

For IPFs that fail requirements under the IPFQR Program, CMS would apply a proposed 1.0 percent payment rate update—that is, the proposed IPF market basket increase of 3.2 percent less the proposed productivity adjustment of 0.2 percentage point for a proposed update of 3.0 percent, and further reduced by 2.0 percentage points in accordance with section 1886(s)(4)(A)(i) of the Act—and the proposed wage index budget-neutrality factor of 1.0011 to the FY 2024 Federal per diem base rate of \$892.58, yielding a proposed Federal per diem base rate of **\$875.25** for FY 2024.

Proposed Updates to the IPF PPS Patient-Level Adjustment Factors (Page 61)

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 (Page 63)

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.

For FY 2023, there were 2 ICD-10-CM codes deleted and 48 ICD-10-CM codes added to the IPF Code First table. For FY 2024, there are no proposed changes to the Code First Table. The proposed FY 2024 Code First table is shown in Addendum B on the CMS website.

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

Comorbidity Adjustments (Page 64)

The proposed FY 2024 comorbidity adjustment factors are found in Addendum A, available on the CMS website. For FY 2024, CMS proposes to add 2 ICD-10-CM/PCS codes and remove 1 ICD-10-CM/PCS code from the Chronic Renal Failure category. The proposed FY 2024 comorbidity codes are shown in Addenda B.

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

For FY 2024, CMS is proposing to 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

For FY 2024, CMS is proposing to 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

	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

Proposed Updates to the IPF PPS Facility-Level Adjustments (Page 68)

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.

Proposed Update to the Area Wage Index

Tables setting forth the proposed FY 2024 Wage Index values 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 proposing to continue to use the concurrent pre-floor, pre-reclassified IPPS hospital wage index as the basis for the IPF wage index.

Proposed Adjustment for Rural Location (Page 73)

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

Proposed Budget Neutrality Adjustment (Page 73)

The proposed FY 2024 budget-neutral wage adjustment factor is 1.0011.

Teaching Adjustment (Page 74)

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

Proposed Adjustment for IPFs with a Qualifying Emergency Department (ED) (Page 78)

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

Other Proposed Payment Adjustments and Policies (Page 80)

Proposed Outlier Update

CMS estimates that IPF outlier payments as a percentage of total estimated payments are approximately 3.0 percent in FY 2023.

CMS proposes to update the outlier threshold amount to **\$34,750**. This would allow CMS to maintain estimated outlier payments at 2 percent of total estimated aggregate IPF payments for FY 2024. This proposed update is an increase from the FY 2023 threshold of \$24,630.

Proposed Modification to the Regulation for Excluded Psychiatric Units Paid Under the IPF PPS (Page 84)

CMS proposes to modify 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 Facilities Quality Reporting (IPFQR) Program (Page 103)

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

CMS is proposing to adopt four new measures, modify one existing measure, remove two existing measures, and adopt and implement a data validation pilot. One of the measures being proposed is a patient experience survey measure, which is also a requirement of the CAA, 2023.

Proposal to Adopt the Facility Commitment to Health Equity Measure Beginning with the CY 2024 Reporting Period Reported in CY 2025/FY 2026 Payment Determination (Page 108)

CMS is proposing to adopt the Facility Commitment to Health Equity measure beginning with the FY 2026 payment determination. 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.

Proposal to Adopt the Screening for Social Drivers of Health Measure Beginning with Voluntary Reporting of CY 2024 Data Followed by Required Reporting Beginning with CY 2025 Data/FY 2027 Payment Determination (Page 119)

CMS is proposing to adopt the Screening for Social Drivers of Health (SDOH) measure beginning with voluntary reporting of CY 2024 data and required reporting beginning with the FY 2027 payment determination. 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.

Proposal to Adopt the Screen Positive Rate for Social Drivers of Health Measure Beginning with Voluntary Reporting of CY 2024 Data and Followed by Required Reporting Beginning with CY 2025 Data/FY 2027 Payment Determination (Page 136)

CMS is proposing to adopt the Screen Positive Rate for SDOH measure beginning with voluntary reporting of CY 2024 data and required reporting beginning with the FY 2027 payment determination. 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).

Proposal to Adopt the Psychiatric Inpatient Experience (PIX) Survey Beginning with Voluntary Reporting of CY 2025 Data and Required Reporting Beginning with CY 2026 Data/FY 2028 Payment Determination (Page 146)

CMS is also proposing to adopt 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 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. CMS is proposing to adopt the PIX survey measure beginning with voluntary reporting of CY 2025 and CY 2026 data and required reporting of CY 2027 data beginning with the FY 2029 payment determination.

Proposed 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 153)

CMS is proposing to modify the COVID-19 Vaccination Coverage Among Healthcare Personnel measure, beginning with the fourth quarter of CY 2023 and affecting the FY 2025 payment determination. The proposed 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 164)

CMS is also proposing to remove two measures beginning with the FY 2025 payment determination. The first measure proposed for removal is the Patients Discharged on Multiple Antipsychotic Medications with Appropriate Justification (HBIPS-5) measure. CMS is proposing to remove this measure because the clinical guidelines, which form the basis for this measure, have been updated and therefore the measure no longer aligns with the current clinical guidelines.

The second measure proposed for removal is the Tobacco Use Brief Intervention Provided or Offered and Tobacco Use Brief Intervention Provided (TOB-2/2a) measure. CMS is proposing to remove this measure

because it is duplicative of the Tobacco Use Treatment Provided or Offered at Discharge and Tobacco Use Treatment at Discharge (TOB-3/3a) measure, which will remain in the IPFQR Program's measure set and similarly measures tobacco cessation interventions provided by IPFs.

Comment

The quality information above has been extracted from CMS' fact sheet on the proposed rule. As evidenced by the page numbers, CMS devotes extensive dialogue to each of the proposed quality changes.

The quality section extends some 80 pages. Once again, those involved in the quality arena need to review the material to insure understanding and compliance.

Final Comments

The payment changes are basically easy to understand and are straight forward.

The quality discussion is much more complex. The material is laced with extensive footnotes explaining CMS' rationale for proposing its changes. The question arises once more regarding the entire issue of quality – is it truly identifying quality.