

# Issue Brief

FEDERAL ISSUE BRIEF • August 7, 2017

## CMS Announces Inpatient Psychiatric Facilities PPS Update Notice for FY 2018

The Centers for Medicare and Medicaid Services has issued a notice to update the Medicare inpatient psychiatric facilities prospective payment system for fiscal year 2018.

The notice is to be published in the August 7 *Federal Register*. A “display” copy of the 69-page document can currently be downloaded at:

<https://s3.amazonaws.com/public-inspection.federalregister.gov/2017-16256.pdf>.

The publication website will be: <https://www.federalregister.gov/d/2017-16430>.

### COMMENT

Most of the current (FY 2017) IPF payment adjustments will remain unchanged for FY 2018. CMS says that the Notice contains an Addendum A with various adjustments. However, the Addendum is not included in the document. The information was not on the CMS website either. It has now been added as a file. It is at: <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientPsychFacilPPS/Downloads/FY2018-Final-IPF-PPS-Rates-and-Adjustment-Factors.pdf>.

This is a short rule with limited changes to the IPF payment system. CMS says the notice reflects a \$45 million increase to the payment rates.

### PAYMENT PROVISIONS

For FY 2018, CMS has adjusted the 2012-based IPF market basket update (2.6 percent) by a reduction for economy-wide productivity (0.6 percentage point). Further, CMS has reduced the 2012-based IPF market basket update by 0.75 percentage point as required by the Affordable Care Act. This results in an estimated IPF payment rate update of 1.25 percent for FY 2018, (2.6 – 0.6 – 0.75 = 1.25).

The labor-related share will be 75.0 percent for FY 2018.

The PPS per diem rate will increase from \$761.37 to \$771.35. Providers that failed to report quality data for FY 2018 payment will receive a FY 2018 per diem rate of \$756.11.

The ECT payment per treatment will increase from \$327.78 to \$332.08. Providers that failed to report quality data for FY 2018 payment will receive a FY 2018 ECT payment per treatment of \$325.52.

CBSA rural and urban wage indices for FY 2018 will have a wage index budget-neutrality adjustment of 1.0006.

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continued

CMS has updated the outlier fixed dollar loss threshold amount from \$10,120 to \$11,425 in order to maintain estimated outlier payments at 2 percent of total estimated aggregate IPF PPS payments.

The adjustment factors are to be applied as they are currently for FY 2017.

## ADDENDUM A

| <b>FY 2018 Final IPF PPS Rates and Adjustment Factors Per Diem Rate</b> |          |
|-------------------------------------------------------------------------|----------|
| Federal Per Diem Base Rate                                              | \$771.35 |
| Labor Share (0.750)                                                     | \$578.51 |
| Non-Labor Share (0.25)                                                  | \$192.84 |

| <b>Per Diem Rate Applying the 2 Percentage Point Reduction (no quality)</b> |          |
|-----------------------------------------------------------------------------|----------|
| Federal Per Diem Base Rate                                                  | \$756.11 |
| Labor Share (0.75)                                                          | \$567.08 |
| Non-Labor Share (0.25)                                                      | \$189.03 |

**Fixed Dollar Loss Threshold Amount: \$11,425**

**Wage Index Budget-Neutrality Factor: 1.0006**

| <b>Facility Adjustments</b> |                                           |
|-----------------------------|-------------------------------------------|
| Rural Adjustment Factor     | 1.17                                      |
| Teaching Adjustment Factor  | 0.5150                                    |
| Wage Index                  | Pre-reclass Hospital Wage Index (FY 2017) |

| <b>Cost of Living Adjustments (COLAs):</b>                  |                                  |
|-------------------------------------------------------------|----------------------------------|
| Area                                                        | Cost of Living Adjustment Factor |
| <b>Alaska:</b>                                              |                                  |
| City of Anchorage and 80-kilometer (50-mile) radius by road | 1.25                             |
| City of Fairbanks and 80-kilometer (50-mile) radius by road | 1.25                             |
| City of Juneau and 80-kilometer (50-mile) radius by road    | 1.25                             |
| Rest of Alaska                                              | 1.25                             |
| <b>Hawaii:</b>                                              |                                  |
| City and County of Honolulu                                 | 1.25                             |
| County of Hawaii                                            | 1.21                             |
| County of Kauai                                             | 1.25                             |
| County of Maui and County of Kalawao                        | 1.25                             |

| <b>Patient Adjustments</b>                                    |          |
|---------------------------------------------------------------|----------|
| ECT – Per Treatment                                           | \$332.08 |
| ECT – Per Treatment Applying the 2 Percentage Point Reduction | \$325.52 |

| <b>Variable Per Diem Adjustments</b>                       |                          |
|------------------------------------------------------------|--------------------------|
|                                                            | <b>Adjustment Factor</b> |
| 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                     |

| <b>Age Adjustments</b> |                          |
|------------------------|--------------------------|
| <b>Age (in years)</b>  | <b>Adjustment Factor</b> |
| 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                     |

| 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              |
| 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              |

| National Median and Ceiling Cost-to-Charge Ratios |        |        |
|---------------------------------------------------|--------|--------|
| CCRs                                              | Rural  | Urban  |
| National Median                                   | 0.5930 | 0.4420 |
| National Ceiling                                  | 1.9634 | 1.7071 |

Analysis provided for MHA  
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