

Issue Brief

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CMS Releases Proposed Inpatient Psychiatric Facilities PPS Update for FY 2020

The Centers for Medicare & Medicaid Services issued a proposed rule to update the Medicare inpatient psychiatric facilities prospective payment system for fiscal year 2020.

The proposal would update the prospective payment rates, the outlier threshold and the wage index. Additionally, the proposed rule would revise and rebase the IPF market basket to reflect a 2016 base year, and use the concurrent hospital wage data as the basis of the IPF wage index rather than using the prior year's hospital wage data. Finally, the proposed rule proposes updates to the Inpatient Psychiatric Facility Quality Reporting Program.

The rule is to be published in the Federal Register on Tuesday, April 23. A “display” copy of the 156-page document can be downloaded at: <https://s3.amazonaws.com/public-inspection.federalregister.gov/2019-07884.pdf>. This link will change upon publication.

UPDATE TO THE FY 2020 MARKET BASKET FOR THE IPF PPS

The IPF market basket increase factor for FY 2020 is estimated to be 3.1 percent.

The **Affordable Care Act** requires a reduction to the market basket of a 10-year moving average multifactor productivity rate. CMS says this amount is estimated to be 0.5 percent. In addition, the FY 2020 market basket update is further reduced by 0.75 percentage point, as also required by the ACA.

This results in a proposed FY 2020 IPF PPS payment rate update of 1.85 percent ($3.1 - 0.5 - 0.75 = 1.85$).

PROPOSED REBASING AND REVISING OF THE MARKET BASKET FOR THE IPF PPS

CMS is proposing to rebase and revise the 2012-based IPF market basket to a 2016 base year.

PROPOSED LABOR-RELATED SHARE FOR FY 2020

The update to the labor-related share would be **76.8 percent**. Currently, it is 74.8 percent. The change is a result of rebasing the market basket.

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PROPOSED UPDATE OF THE FEDERAL PER DIEM BASE RATE AND ELECTROCONVULSIVE THERAPY PAYMENT PER TREATMENT

The current (FY 2019) federal per diem base rate is \$782.78, and the ECT payment per treatment is \$337.00. For the FY 2020 federal per diem base rate, CMS is applying the payment rate update of 1.85 percent, and a wage index budget-neutrality factor of 1.0078 to the FY 2019 federal per diem base rate of \$782.78, yielding a proposed federal per diem base rate of **\$803.48** for FY 2020.

Similarly, CMS applied the 1.85 percent payment rate update and the 1.0078 wage index budget neutrality factor to the FY 2018 ECT payment per treatment, yielding an ECT proposed payment per treatment of **\$345.91** for FY 2020.

For IPFs that fail to report IPFQR Program requirements, the agency applied a -0.15 percent payment rate update. ($1.85 - 2.0 = -.15$). The federal per diem base rate would be \$787.70 for FY 2020, and the ECT would be \$339.12.

PROPOSED UPDATE TO THE AREA WAGE INDEX

Tables setting forth the FY 2020 wage index for urban areas based on core-based statistical area labor market areas and the FY 2020 wage index based on CBSA labor market areas for rural areas are available exclusively online on the CMS website at: <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/IPFPPS/WageIndex.html>.

CMS would align IPF wage index data with the concurrent IPPS wage index data by removing the one-year lag of the pefloor, prereclassified IPPS hospital wage index upon which the IPF wage index is based.

PROPOSED 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. These include (1) Medicare Severity Diagnosis-Related Groups assignment of the patient's principal diagnosis, (2) selected comorbidities, (3) patient age, and (4) the variable per diem adjustments.

CMS is not making any changes to these adjustments for FY 2020.

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 are approximately 2.15 percent in FY 2019. Therefore, CMS proposes to update the outlier threshold amount to \$14,590 to maintain estimated outlier payments at 2.0 percent of total estimated aggregate IPF payments for FY 2020. The current threshold is \$12,865.

INPATIENT PSYCHIATRIC FACILITIES QUALITY REPORTING PROGRAM

The previously finalized number of measures for the FY 2021 payment determination and subsequent years totals 13. In this proposed rule, CMS is proposing to adopt one additional measure for the FY 2021 payment determination and subsequent years, which, if finalized as proposed, would bring the total to 14. The new measure would be "New Quality Measure for the FY 2021 Payment Determination and Subsequent Years – Medication Continuation Following Inpatient Psychiatric Discharge (NQF #3205)."

This is an abbreviated analysis. View the full analysis [here](#).

*Analysis provided for MHA
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