

Issue Brief

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CMS Announces Final Inpatient Psychiatric Facilities PPS Update for FY 2017

The Centers for Medicare and Medicaid Services has issued a notice to update the Medicare inpatient psychiatric facilities prospective payment system for fiscal year 2017.

The rule is to be published in the Aug. 1 *Federal Register*. A copy of the 72-page document can currently be downloaded at: <https://s3.amazonaws.com/public-inspection.federalregister.gov/2016-17982.pdf>. This link will change upon publication. The publication website will be: <https://www.federalregister.gov/articles/2016/08/01>.

COMMENT

Most of the current (FY 2016) IPF payment adjustments will remain unchanged for FY 2017.

CMS says the notice reflects a \$105 million increase to the payment rates (+\$130 million from the unadjusted IPF marketbasket of 2.8 percent, -\$15 million for the productivity adjustment of 0.3 percentage point and -\$10 million for the other adjustment of 0.2 percentage point). In addition, payments will decrease by \$5 million as a result of the update to the outlier threshold amount. Outlier payments are estimated to decrease from 2.1 percent in FY 2016 to 2.0 percent of total estimated IPF payments in FY 2017.

One must question why it took the Office of Management and Budget six weeks to clear this notice when much is unchanged from FY 2016 and there appear no controversial policy issues.

PAYMENT PROVISIONS

- CMS is updating the estimated payments to IPFs in FY 2017 relative to estimated payments in FY 2016 by 2.3 percent. This amount reflects a 2.8 percent IPF-specific marketbasket estimate less a productivity adjustment of 0.3 percentage points and less a 0.2 percentage point reduction required by the Affordable Care Act, for a net update of 2.3 percent.
- Estimated overall payments to IPFs would be reduced further by 0.1 percent due to updating the outlier fixed-dollar loss threshold amount. The result will result in an overall loss of \$5 million. The fixed dollar loss outlier threshold amount increases from \$9,580 to \$10,120 to maintain estimated outlier payments at 2.0 percent of total estimated aggregate IPF PPS payments.
- The labor-related share will be 75.1 percent.
- CMS updated the IPF PPS per diem rate from \$743.73 to \$761.37. Providers that failed to report quality data for FY 2017 payment will receive a FY 2017 per diem rate of \$746.48.
- The updated electroconvulsive therapy payment per treatment increases from \$320.19 to \$327.78.

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continued

- Providers that failed to report quality data for FY 2017 payment will receive a FY 2017 ECT payment per treatment of \$321.38.
- CMS used the updated labor-related share of 75.1 percent (based on the 2012-based IPF market basket) and CBSA rural and urban wage indices for FY 2017, and established a wage index budget-neutrality adjustment of 1.0007.
- As a result of previously revised OMB delineations, 37 IPF providers will have their status changed from rural to urban, and therefore will lose their 17 percent rural adjustment. CMS is phasing out their rural adjustment, so that these 37 providers will receive one-third of the rural adjustment in FY 2017, and no rural adjustment for FY 2018 and subsequent years.

TABLES AND VALUES

The wage index tables are no longer published in the Federal Register. Instead, these tables are available on CMS' website at: <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/IPFPPS/WageIndex.html>.

The notices' Addendum A and B include payment and related adjustments.

ADDENDUM A –IPF PPS FY 2017 FINAL RATES AND ADJUSTMENT FACTORS

Per Diem Rates	
Federal Per Diem Base Rate	\$761.37
Labor Share (0.751)	\$571.79
Non-Labor Share (0.249)	\$189.58

Per Diem Rate Applying the 2 Percentage Point Reduction	
Federal Per Diem Base Rate	\$746.48
Labor Share (0.751)	\$560.61
Non-Labor Share (0.249)	\$185.87

Fixed Dollar Loss Threshold Amount

\$10,120

Wage Index Budget-Neutrality Factor

1.0007

PATIENT-LEVEL ADJUSTMENTS:

Adjustment for MS-DRG Assignment

For FY 2017, payment adjustments for psychiatric diagnoses that group to one of the 17 MS-IPF-DRGs are listed below.

FY 2017 MS-IPF-DRGs Applicable for the Principal Diagnosis Adjustment		
MS-DRG	MS-DRG Descriptions	Adjustment Factor
056	Degenerative nervous system disorders w MCC	1.05
057	Degenerative nervous system disorders w/o MCC	
080	Nontraumatic stupor & coma w MCC	1.07
081	Nontraumatic stupor & coma w/o MCC	
876	O.R. procedure w principal diagnoses of mental illness	1.22
880	Acute adjustment reaction & psychosocial dysfunction	1.05

FY 2017 MS-IPF-DRGs Applicable for the Principal Diagnosis Adjustment

MS-DRG	MS-DRG Descriptions	Adjustment Factor
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	

PAYMENT FOR COMORBID CONDITIONS

The intent of the comorbidity adjustment is to recognize the increased costs associated with comorbid conditions by providing additional payments for certain concurrent medical or psychiatric conditions that are expensive to treat.

The 17 adjustments follow.

Comorbidity Adjustments for FY 2017	
Description of Comorbidity	Adjustment Factor
Developmental Disabilities	1.04
Coagulation Factor Deficits	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 and/or Alcohol Induced Mental Disorders	1.03
Cardiac Conditions	1.11
Gangrene	1.10
Chronic Obstructive Pulmonary Disease	1.12
Artificial Openings— Digestive and Urinary	1.08
Severe Musculoskeletal and Connective Tissue Diseases	1.09
Poisoning	1.11

PATIENT AGE ADJUSTMENTS

Patient age adjustments are shown below.

Age	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

The variable per diem adjustment factors are shown in the table below.

Day-Of-Stay	Adjustment Factor
Day 1- IPF Without a Qualified ED	1.19
Day 1- IPF With a Qualified ED	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

Facility-Level Adjustments

The IPF PPS includes facility-level adjustments for the wage index for IPFs located in rural areas, teaching IPFs, cost of living adjustments for IPFs located

in Alaska and Hawaii, and IPFs with a qualifying emergency department.

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 retaining the coefficient value of 0.5150 for the teaching status adjustment to the federal per diem base rate.

COST OF LIVING ADJUSTMENT FOR IPFS LOCATED IN ALASKA AND HAWAII

IPFs located in Alaska and Hawaii will continue to receive an updated COLA factors based on the COLA area in which the IPF is located and as shown in the table below.

	Factor
Alaska:	
City of Anchorage and 80-kilometer (50-mile) radius by road	1.23
City of Fairbanks and 80-kilometer (50-mile) radius by road	1.23
City of Juneau and 80-kilometer (50-mile) radius by road	1.23
Rest of Alaska	1.25
Hawaii:	
City and County of Honolulu	1.25
County of Hawaii	1.19
County of Kauai	1.25
County of Maui and County of Kalawao	1.25

ADJUSTMENT FOR IPFS WITH A QUALIFYING EMERGENCY DEPARTMENT

The ED adjustment is incorporated into the variable per diem adjustment for the first day of each stay for IPFs with a qualifying ED. That is, IPFs with a qualifying admission from an ED will

receive an adjustment factor of 1.31 as the variable per diem adjustment for day one of each stay. If an IPF does not have a qualifying ED, it will receive an adjustment factor of 1.19 as the variable per diem adjustment for day one of each patient stay.

Addendum B

Changes to the FY 2017 ICD-10-CM/PCS Code Sets Which Affect FY 2017 IPF PPS Comorbidity Adjustments

Four IPF PPS comorbidity categories are affected.

ONCOLOGY TREATMENT

Add the following codes to the oncology treatment code list.

DX	Long description
C49A0	Gastrointestinal stromal tumor, unspecified site
C49A1	Gastrointestinal stromal tumor of esophagus
C49A2	Gastrointestinal stromal tumor of stomach
C49A3	Gastrointestinal stromal tumor of small intestine
C49A4	Gastrointestinal stromal tumor of large intestine
C49A5	Gastrointestinal stromal tumor of rectum
C49A9	Gastrointestinal stromal tumor of other sites
D49511	Neoplasm of unspecified behavior of right kidney
D49512	Neoplasm of unspecified behavior of left kidney
D4959	Neoplasm unspecified behavior of other genitourinary organ

Delete the following code from the oncology treatment code list.

DX	Long description
D495	Neoplasm of unspecified behavior of other genitourinary organs

The following codes from the oncology treatment code list have long description changes.

DX	Old long description	New long description
C7A094	Malignant carcinoid tumor of the foregut NOS	Malignant carcinoid tumor of the foregut, unspecified
C7A095	Malignant carcinoid tumor of the midgut NOS	Malignant carcinoid tumor of the midgut, unspecified
C7A096	Malignant carcinoid tumor of the hindgut NOS	Malignant carcinoid tumor of the hindgut, unspecified
C8110	Nodular sclerosis classical Hodgkin lymphoma, unspecified site	Nodular sclerosis Hodgkin lymphoma, unspecified site
C8111	Nodular sclerosis classical Hodgkin lymphoma, lymph nodes of head, face, and neck	Nodular sclerosis Hodgkin lymphoma, lymph nodes of head, face, and neck
C8112	Nodular sclerosis classical Hodgkin lymphoma, intrathoracic lymph nodes	Nodular sclerosis Hodgkin lymphoma, intrathoracic lymph nodes
C8113	Nodular sclerosis classical Hodgkin lymphoma, intra-abdominal lymph nodes	Nodular sclerosis Hodgkin lymphoma, intra-abdominal lymph nodes

DX	Old long description	New long description
C8114	Nodular sclerosis classical Hodgkin lymphoma, lymph nodes of axilla and upper limb	Nodular sclerosis Hodgkin lymphoma, lymph nodes of axilla and upper limb
C8115	Nodular sclerosis classical Hodgkin lymphoma, lymph nodes of inguinal region and lower limb	Nodular sclerosis Hodgkin lymphoma, lymph nodes of inguinal region and lower limb
C8116	Nodular sclerosis classical Hodgkin lymphoma, intrapelvic lymph nodes	Nodular sclerosis Hodgkin lymphoma, intrapelvic lymph nodes
C8117	Nodular sclerosis classical Hodgkin lymphoma, spleen	Nodular sclerosis Hodgkin lymphoma, spleen
C8118	Nodular sclerosis classical Hodgkin lymphoma, lymph nodes of multiple sites	Nodular sclerosis Hodgkin lymphoma, lymph nodes of multiple sites
C8119	Nodular sclerosis classical Hodgkin lymphoma, extranodal and solid organ sites	Nodular sclerosis Hodgkin lymphoma, extranodal and solid organ sites
C8120	Mixed cellularity classical Hodgkin lymphoma, unspecified site	Mixed cellularity Hodgkin lymphoma, unspecified site
C8121	Mixed cellularity classical Hodgkin lymphoma, lymph nodes of head, face, and neck	Mixed cellularity Hodgkin lymphoma, lymph nodes of head, face, and neck
C8122	Mixed cellularity classical Hodgkin lymphoma, intrathoracic lymph nodes	Mixed cellularity Hodgkin lymphoma, intrathoracic lymph nodes
C8123	Mixed cellularity classical Hodgkin lymphoma, intra-abdominal lymph nodes	Mixed cellularity Hodgkin lymphoma, intra-abdominal lymph nodes
C8124	Mixed cellularity classical Hodgkin lymphoma, lymph nodes of axilla and upper limb	Mixed cellularity Hodgkin lymphoma, lymph nodes of axilla and upper limb
C8125	Mixed cellularity classical Hodgkin lymphoma, lymph nodes of inguinal region and lower limb	Mixed cellularity Hodgkin lymphoma, lymph nodes of inguinal region and lower limb
C8126	Mixed cellularity classical Hodgkin lymphoma, intrapelvic lymph nodes	Mixed cellularity Hodgkin lymphoma, intrapelvic lymph nodes
C8127	Mixed cellularity classical Hodgkin lymphoma, spleen	Mixed cellularity Hodgkin lymphoma, spleen
C8128	Mixed cellularity classical Hodgkin lymphoma, lymph nodes of multiple sites	Mixed cellularity Hodgkin lymphoma, lymph nodes of multiple sites
C8129	Mixed cellularity classical Hodgkin lymphoma, extranodal and solid organ sites	Mixed cellularity Hodgkin lymphoma, extranodal and solid organ sites
C8130	Lymphocyte depleted classical Hodgkin lymphoma, unspecified site	Lymphocyte depleted Hodgkin lymphoma, unspecified site
C8131	Lymphocyte depleted classical Hodgkin lymphoma, lymph nodes of head, face, and neck	Lymphocyte depleted Hodgkin lymphoma, lymph nodes of head, face, and neck
C8132	Lymphocyte depleted classical Hodgkin lymphoma, intrathoracic lymph nodes	Lymphocyte depleted Hodgkin lymphoma, intrathoracic lymph nodes
C8133	Lymphocyte depleted classical Hodgkin lymphoma, intra-abdominal lymph nodes	Lymphocyte depleted Hodgkin lymphoma, intra-abdominal lymph nodes

DX	Old long description	New long description
C8134	Lymphocyte depleted classical Hodgkin lymphoma, lymph nodes of axilla and upper limb	Lymphocyte depleted Hodgkin lymphoma, lymph nodes of axilla and upper limb
C8135	Lymphocyte depleted classical Hodgkin lymphoma, lymph nodes of inguinal region and lower limb	Lymphocyte depleted Hodgkin lymphoma, lymph nodes of inguinal region and lower limb
C8136	Lymphocyte depleted classical Hodgkin lymphoma, intrapelvic lymph nodes	Lymphocyte depleted Hodgkin lymphoma, intrapelvic lymph nodes
C8137	Lymphocyte depleted classical Hodgkin lymphoma, spleen	Lymphocyte depleted Hodgkin lymphoma, spleen
C8138	Lymphocyte depleted classical Hodgkin lymphoma, lymph nodes of multiple sites	Lymphocyte depleted Hodgkin lymphoma, lymph nodes of multiple sites
C8139	Lymphocyte depleted classical Hodgkin lymphoma, extranodal and solid organ sites	Lymphocyte depleted Hodgkin lymphoma, extranodal and solid organ sites
C8140	Lymphocyte-rich classical Hodgkin lymphoma, unspecified site	Lymphocyte-rich Hodgkin lymphoma, unspecified site
C8141	Lymphocyte-rich classical Hodgkin lymphoma, lymph nodes of head, face, and neck	Lymphocyte-rich Hodgkin lymphoma, lymph nodes of head, face, and neck
C8142	Lymphocyte-rich classical Hodgkin lymphoma, intrathoracic lymph nodes	Lymphocyte-rich Hodgkin lymphoma, intrathoracic lymph nodes
C8143	Lymphocyte-rich classical Hodgkin lymphoma, intra-abdominal lymph nodes	Lymphocyte-rich Hodgkin lymphoma, intra-abdominal lymph nodes
C8144	Lymphocyte-rich classical Hodgkin lymphoma, lymph nodes of axilla and upper limb	Lymphocyte-rich Hodgkin lymphoma, lymph nodes of axilla and upper limb
C8145	Lymphocyte-rich classical Hodgkin lymphoma, lymph nodes of inguinal region and lower limb	Lymphocyte-rich Hodgkin lymphoma, lymph nodes of inguinal region and lower limb
C8146	Lymphocyte-rich classical Hodgkin lymphoma, intrapelvic lymph nodes	Lymphocyte-rich Hodgkin lymphoma, intrapelvic lymph nodes
C8147	Lymphocyte-rich classical Hodgkin lymphoma, spleen	Lymphocyte-rich Hodgkin lymphoma, spleen
C8148	Lymphocyte-rich classical Hodgkin lymphoma, lymph nodes of multiple sites	Lymphocyte-rich Hodgkin lymphoma, lymph nodes of multiple sites
C8149	Lymphocyte-rich classical Hodgkin lymphoma, extranodal and solid organ sites	Lymphocyte-rich Hodgkin lymphoma, extranodal and solid organ sites
C8170	Other classical Hodgkin lymphoma, unspecified site	Other Hodgkin lymphoma, unspecified site
C8171	Other classical Hodgkin lymphoma, lymph nodes of head, face, and neck	Other Hodgkin lymphoma, lymph nodes of head, face, and neck
C8172	Other classical Hodgkin lymphoma, intrathoracic lymph nodes	Other Hodgkin lymphoma, intrathoracic lymph nodes
C8173	Other classical Hodgkin lymphoma, intra-abdominal lymph nodes	Other Hodgkin lymphoma, intra-abdominal lymph nodes
C8174	Other classical Hodgkin lymphoma, lymph nodes of axilla and upper limb	Other Hodgkin lymphoma, lymph nodes of axilla and upper limb
C8175	Other classical Hodgkin lymphoma, lymph nodes of inguinal region and lower limb	Other Hodgkin lymphoma, lymph nodes of inguinal region and lower limb

DX	Old long description	New long description
C8176	Other classical Hodgkin lymphoma, intrapelvic lymph nodes	Other Hodgkin lymphoma, intrapelvic lymph nodes
C8177	Other classical Hodgkin lymphoma, spleen	Other Hodgkin lymphoma, spleen
C8178	Other classical Hodgkin lymphoma, lymph nodes of multiple sites	Other Hodgkin lymphoma, lymph nodes of multiple sites
C8179	Other classical Hodgkin lymphoma, extranodal and solid organ sites	Other Hodgkin lymphoma, extranodal and solid organ sites
D3A094	Benign carcinoid tumor of the foregut NOS	Benign carcinoid tumor of the foregut, unspecified
D3A095	Benign carcinoid tumor of the midgut NOS	Benign carcinoid tumor of the midgut, unspecified
D3A096	Benign carcinoid tumor of the hindgut NOS	Benign carcinoid tumor of the hindgut, unspecified

ONCOLOGY TREATMENT PROCEDURE

Add the following code to the oncology treatment procedure code list.

DX	Long description
3E0Q005	Introduction of Other Antineoplastic into Cranial Cavity and Brain, Open Approach

INFECTIOUS DISEASE

Add the following code to the infectious disease code list.

DX	Long description
A925	Zika virus disease

ARTIFICIAL OPENINGS DIGESTIVE AND URINARY

Add the following codes to the artificial openings, digestive and urinary code list.

DX	Long description
N99523	Herniation of incontinent stoma of urinary tract
N99524	Stenosis of incontinent stoma of urinary tract
N99533	Herniation of continent stoma of urinary tract
N99534	Stenosis of continent stoma of urinary tract

The following codes from the artificial openings digestive and urinary code list have long description changes.

DX	Old long description	New long description
N99520	Hemorrhage of other external stoma of urinary tract	Hemorrhage of incontinent external stoma of urinary tract
N99521	Infection of other external stoma of urinary tract	Infection of incontinent external stoma of urinary tract
N99522	Malfunction of other external stoma of urinary tract	Malfunction of incontinent external stoma of urinary tract

DX	Old long description	New long description
N99528	Other complication of other external stoma of urinary tract	Other complication of incontinent external stoma of urinary tract
N99530	Hemorrhage of other stoma of urinary tract	Hemorrhage of continent stoma of urinary tract
N99531	Infection of other stoma of urinary tract	Infection of continent stoma of urinary tract
N99532	Malfunction of other stoma of urinary tract	Malfunction of continent stoma of urinary tract
N99538	Other complication of other stoma of urinary tract	Other complication of continent stoma of urinary tract

Tables showing the complete listing of ICD-10-CM/PCS codes underlying the IPF PPS comorbidity adjustment and the IPF PPS Code First adjustment, and associated with the IPF PPS ECT per treatment payment, are available online at: <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientPsychFacilPPS/tools.html>.

FINAL COMMENT

This notice does not include any quality measure items. They may be included as part of the Inpatient PPS update due shortly.

The notice is fairly well written without too much repetitive history. Perhaps it could serve as a model for other rules and notices.

*Analysis provided for MHA
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