

# MEDICARE PAYMENT FACT SHEET

APRIL 2022

## FFY 2023 INPATIENT PSYCHIATRIC FACILITIES PROSPECTIVE PAYMENT SYSTEM – RATE UPDATE CMS-1769-P

On April 4, the Centers for Medicare & Medicaid Services (CMS) published in the *Federal Register* the federal fiscal year (FFY) 2023 Inpatient Psychiatric Facilities (IPF) Prospective Payment System (PPS) [proposed rule](#) effective Oct. 1, 2022 through Sept. 30, 2023. After accounting for all payment and budget neutrality factors, CMS proposed a 2.7% update to IPF PPS payments.

Comments on this proposed rule are due May 31.

**Rate Update (pp. 19418-19420):** CMS proposed a 3.1% IPF market basket update and a multifactor productivity (MFP) reduction of 0.4 percentage points, resulting in a 2.7% proposed update. The payment rate for IPFs that fail to submit required quality data will decrease by two percentage points.

Proposed FFY 2023 base per diem and electroconvulsive therapy (ECT) rate updates include:

Per Diem Base Rates			ECT – Per Treatment Rates		
FFY 2023	FFY 2023, No Quality Data	FFY 2022	FFY 2023	FFY 2023, No Quality Data	FFY 2022
\$856.80	\$840.11	\$834.94	\$368.87	\$361.69	\$358.60

**IPF Patient-Level Adjustment Factors (pp. 19420-19422):** CMS proposed continued use of existing payment adjustments for psychiatric diagnoses that group to one of the existing 17 IPF Medicare Severity Diagnosis Related Groups (MS-DRGs) listed in [Addendum A](#). Psychiatric principal diagnoses that do not group to one of these MS-DRGs will still receive the per diem base rate and all other applicable adjustments, but will not receive an MS-DRG adjustment. IPF MS-DRGs will be updated by Oct. 1, 2022 using the final IPPS FFY 2023 ICD-10-CM/PCS code sets. Data underlying FFY 2023 MS-DRGs are available on the CMS IPPS [website](#).

Regarding payment for comorbid conditions, CMS proposed:

- Continued use of the comorbidity adjustment factors in effect in FY 2022 ([Addendum A](#));
- Adding 10 ICD-10-CM/PCS codes and removing 1 ICD-10-CM/PCS code from the Coagulation Factor category ([Addendum B](#));
- Adding 3 ICD-10-CM/PCS codes and removing 11 ICD-10-CM/PCS codes from the Oncology Treatment comorbidity category ([Addendum B](#)); and
- Adding 4 ICD-10-CM/PCS codes to the Poisoning comorbidity category ([Addendum B](#)).

CMS also proposed continued use of patient age and variable per diem adjustments currently in effect ([Addendum A](#)).

**Outlier Payments (pp. 19427-19428):** CMS proposed increasing the outlier threshold amount from \$16,040 in FFY 2022 to \$24,270 in FFY 2023 to maintain estimated outlier payments at 2%

of estimated aggregate IPF PPS payments. CMS used FFY 2020 claims to calculate the updated outlier threshold.

Proposed cost-to-charge ratio ceilings and medians for FFY 2023 are as follows:

Rural Ceiling	Rural Median	Urban Ceiling	Urban Median
2.0472	0.5720	1.7279	0.4200

**Wage Index (pp. 19418-19419; 19422-19427):** In the FFY 2021 IPF [final rule](#), CMS implemented a 5% cap on any decrease in an IPF’s wage index to mitigate any negative effects of wage index changes compared to FFY 2020. This year, CMS proposed making the 5% cap permanent. This means an IPF’s wage index would not be less than 95% of its wage index from the previous year, regardless of the circumstances causing a wage index decline. This policy as proposed will be budget neutral. New IPFs will receive the wage index applicable in its geographic location for its first full or partial fiscal year with no cap applied. CMS stated this proposal will maintain the IPF PPS wage index as a relative measure of the value of labor in a given labor market area, increase the predictability of IPF PPS payments, and mitigate instability and significant negative impacts to providers resulting from significant changes to wage index.

CMS proposed the continued use of the pre-floor, pre-reclassified IPPS hospital wage index as the basis for the [FFY 2023 IPF wage index](#):

CBSA	Proposed FFY 2023	Final FFY 2022
Bloomington	0.9251	0.9269
Cape Girardeau	0.8055	0.8282
Carbondale	0.8357	0.8179
Champaign-Urbana	0.8918	0.8680
Chicago-Naperville-Evanston	1.0505	1.0372
Danville	0.9376	0.9407
Decatur	0.8702	0.8353
Elgin	1.0297	1.0232
Kankakee	0.9194	0.8914
Lake County	0.9833	1.0047
Peoria	0.8520	0.8457
Rock Island	0.7806	0.8373
Rockford	0.9621	0.9901
St. Louis	0.9510	0.9583
Springfield	0.8673	0.9136
Rural	0.8436	0.8401

CMS proposed the continued application of a 17% payment adjustment to IPFs located in rural areas, and the 1.31 adjustment factor for IPFs with qualifying emergency departments (EDs).

For FFY 2023, CMS proposed a labor-related share of 77.4%, an increase from the FFY 2022 labor-related share of 77.2%.

**IPF Quality Reporting (IPFQR) Program (p. 19416):** CMS did not propose any changes to the IPFQR program. Current IPFQR measures are available on [Quality Net](#).

**Request for Information on CMS Analysis of IPF PPS Adjustments (pp. 19428-19429):** CMS enlisted a contractor to analyze recent IPF cost and claim information to ensure the appropriateness of the current IPF PPS model. The contractor [found](#) that the IPF PPS generally aligns with the cost of providing IPF services. However, there are several suggestions for updating codes, categories, adjustment factors, and ECT payment amounts per treatment that could improve payment accuracy. CMS requests comments on proposed amendments to the IPF PPS, as detailed in the proposed rule and the contractor’s technical [report](#).

**Request for Information on Future IPFQR Health Equity Initiatives (pp. 19429-19437):** Building off last year’s rulemaking, CMS continues to explore ways it can leverage the IPFQR and other Medicare quality programs to address health equity. CMS noted “measuring healthcare disparities in quality measures is a cornerstone of our approach to advancing healthcare equity.” In this proposed rule, CMS requests feedback on a general framework it may use across CMS quality programs to assess disparities in healthcare quality; approaches that could be used in the IPFQR program to assess drivers of healthcare quality disparities in IPFs; and two measures related to health equity.

Specifically, CMS solicits comments on the use of a Health Equity Summary Score (HESS) across Medicare quality programs, similar to the HESS score used with Medicare Advantage plans. Additionally, CMS developed a structural measure for use in acute care hospitals: Hospital Commitment to Health Equity (MUC2021-106). This measure assesses hospital leader engagement in the collection of health equity performance data.

CMS noted that it will not respond to specific comments in the FFY 2023 IPF PPS final rule, but will actively consider all input as it develops future regulatory proposals or sub-regulatory policy guidance.

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Sources:

Centers for Medicare & Medicaid Services. Medicare Program: FY 2023 Inpatient Psychiatric Facilities Prospective Payment System-Rate Update and Quality Reporting-Request for Information. Available from: <https://www.federalregister.gov/documents/2022/04/04/2022-06906/medicare-program-fy-2023-inpatient-psychiatric-facilities-prospective-payment-system-rate-update-and>. Accessed April 7, 2022.

Centers for Medicare & Medicaid Services. Proposed FY 2023 IPF Wage Index CMS-1769-P. Available from: <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientPsychFacilPPS/WageIndex>. Accessed April 7, 2022.