

FY 2023 INPATIENT PSYCHIATRIC FACILITY PROSPECTIVE PAYMENT SYSTEM (CMS-1783-P)

On April 10, the Centers for Medicare & Medicaid Services (CMS) published the federal fiscal year (FY) 2024 Inpatient Psychiatric Facility (IPF) Prospective Payment System (PPS) [proposed rule](#) effective Oct. 1, 2023 through Sept. 30, 2024 in the *Federal Register*. CMS estimates a 1.9%, or \$55 million, increase in IPF payments in FY 2024 relative to FY 2023.

Comments on this proposed rule are due June 5.

Rate Update: CMS proposed a 3.2% IPF market basket update, a multifactor productivity (MFP) reduction of 0.2 percentage points and a wage index budget neutrality adjustment of 1.0011 resulting in a 3.11% proposed IPF payment rate update. The payment rate for IPFs that fail to submit required quality data will decrease by two percentage points.

Proposed FY 2024 base per diem and electroconvulsive therapy (ECT) rate updates include:

Per Diem Base Rates			ECT – Per Treatment Rates		
FY 2024	FY 2024, No Quality Data	FY 2023	FY 2024	FY 2024, No Quality Data	FY 2023
\$892.58	\$875.25	\$865.63	\$384.27	\$376.81	\$372.67

Update to the IPF Market Basket Base Year: Beginning FY 2024, CMS proposed rebasing and revising the IPF market basket to reflect a 2021 base year. This would replace the current 2016 base year for both freestanding and hospital-based IPFs.

Changes to the Regulation for Excluded IPF Units Paid Under the IPF PPS: Currently, inpatient psychiatric facilities located within hospitals that want to be paid under the IPF PPS and excluded from the inpatient prospective payment system (IPPS) must do so at the start of a cost reporting period. Such excluded units may not attain this payment status in the middle of a cost reporting period.

In this proposed rule, CMS stated it believes this is a burdensome requirement for hospitals because it is difficult to predict the exact timing of the end of a construction project for a new unit. If construction does not align with the start of a cost reporting period, it can lead to significant revenue loss. CMS also believes there is an increase in mental health needs and the need for availability of inpatient psychiatric beds.

Additionally, current requirements were established when excluded IPF units were paid at cost-based reimbursement and not PPS. Therefore, CMS stated the restriction that limits an IPF unit to gaining excluded-unit status to the start of a cost reporting period is no longer necessary.

Finally, CMS noted that advancements in technology have simplified the cost reporting process and have enhanced communication between providers. Therefore, CMS proposed allowing a hospital to open a new IPF unit any time within the cost reporting year, as long as the hospital

provides notification in writing of the change to both CMS and their Medicare Administrative Contractor at least 30 days before the date of the change. Additionally, CMS proposed that if a unit becomes IPPS-excluded during a cost reporting year, this change would remain in effect for the rest of that cost reporting year.

IPF Patient-Level Adjustment Factors: CMS proposed continued use of existing payment adjustments for psychiatric diagnoses that group to one of the existing 17 IPF MS-DRGs. 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.

CMS proposed continued adjustment of the per diem rate for 17 comorbidity categories. For each claim, an IPF may receive only one comorbidity adjustment per comorbidity category, but may receive an adjustment for more than one category.

CMS proposed maintaining the current patient age adjustments for FY 2024. Similarly, CMS proposed continuing the per diem rate adjustment based on patient length-of-stay using a variable per diem adjustment factor. The FY 2024 adjustment levels would not change from the levels already in place.

CMS proposed the continued application of a 1.17 payment adjustment to IPFs located in rural areas, a 1.31 payment adjustment for IPFs with qualifying emergency departments, and a 0.5150 payment adjustment for hospitals participating in graduate medical education programs.

Outlier Payments: CMS proposed increasing the outlier threshold amount to \$34,750 in FY 2024, a 41.1% increase over the FY 2023 threshold of \$24,630. CMS will use FY 2022 claims to calculate the updated outlier threshold.

IPF Cost-to-Charge Ratio (CCR): Proposed CCR ceilings and medians for FY 2024 are as follows:

Rural Ceiling	Rural Median	Urban Ceiling	Urban Median
2.0801	0.5720	1.7864	0.4200

Wage Index: CMS proposed continued use of the current pre-floor, pre-reclassified inpatient prospective payment system (IPPS) hospital wage index as the basis for the [FY 2024 IPF wage index](#):

CBSA	Proposed FY 2024	Final FY 2023
Bloomington	0.8589	0.9269
Cape Girardeau	0.7258	0.8282
Carbondale	0.8154	0.8179
Champaign-Urbana	0.8909	0.8680
Chicago-Naperville-Evanston	1.0431	1.0372
Danville	0.9299	0.9407
Decatur	0.8806	0.8353
Elgin	1.0294	1.0232
Kankakee	0.9156	0.8914

Lake County	0.9879	1.0047
Peoria	0.8281	0.8457
Rock Island	0.7896	0.8373
Rockford	0.9350	0.9901
St. Louis	0.9406	0.9583
Springfield	0.9167	0.9136
Rural	0.8335	0.8401

For FY 2024, CMS proposed a labor-related share of 78.5%, an increase from the FF 2023 labor-related share of 77.4%.

IPF Quality Reporting (IPFQR) Program: CMS proposed adopting four new measures for the IPFQR program. These include:

- Facility Commitment to Health Equity (attestation in calendar year (CY) 2024 reporting period for CY 2025/FY 2026 payment determination);
- Screening for Social Drivers of Health (SDOH) (voluntary reporting CY 2024 followed by required reporting CY 2025/FY 2027 payment determination);
- Screen Positive Rate for SDOH (voluntary reporting CY 2024 followed by required reporting CY 2025/FY 2027 payment determination); and
- Psychiatric Inpatient Experience (PIX) Survey (voluntary reporting CY 2025 followed by required reporting CY 2026/FY 2028 payment determination).

CMS proposed the removal of two measures beginning with the FY 2025 IPFQR program:

- Patents Discharged on Multiple Antipsychotic Medications with Appropriate Justification (HBIPS-5); and
- Tobacco Use Brief Intervention Provided or Offered and Tobacco Use Brief Intervention (TOB-2/2a).

CMS proposed modifying the COVID-19 Vaccination Coverage Among Healthcare Personnel measure. It would replace the term “complete vaccination course” with the term “up-to-date” in the measure definition. CMS would also update the numerator to specify the time frames within which a healthcare personnel is considered up-to-date with recommended COVID-19 vaccines.

Lastly, CMS proposed a voluntary data validation pilot program beginning with data submitted in 2024. CMS would request eight charts per quarter (32 charts per year) and randomly select up to 100 IPFs on an annual basis to provide those charts to CMS. CMS would specify the timeline and mechanism for submitting those charts. CMS would also reimburse IPFs at a rate of \$3 per chart submitted for validation.

Measures previously finalized for the FY 2024 IPFQR program are available on [Quality Net](#).

Request for Information to Inform Revisions to the IPF PPS: The Consolidated Appropriations Act of 2023 requires revisions to the methodology for determining the payment rates under the IPF PPS for FY 2025 and future years, if appropriate. This includes collecting data and information to revise payments, beginning no later than Oct. 1, 2023. Data collection may include, but is not limited to:

- Charges, including those related to ancillary services;
- The required intensity of behavioral monitoring, such as cognitive deficit, suicidal ideations, violent behavior, and need for physical restraint; and
- Interventions, such as detoxification services for substance abuse, dependence on respirator, total parenteral nutritional support, dependence on renal dialysis, and burn care.

CMS also solicited comment collection of data and information on several topics, requiring charges for ancillary services to be reported on claims, and on Social Determinants of Health ICD-10 codes considered statistically significant and whether they should be incorporated into IPF PPS.

Sources:

Centers for Medicare & Medicaid Services. Medicare Program: FY 2024 Inpatient Psychiatric Facilities Prospective Payment System – Rate Update. Available from: <https://www.federalregister.gov/documents/2023/04/10/2023-07122/medicare-program-fy-2024-inpatient-psychiatric-facilities-prospective-payment-system-rate-update>. Accessed April 17, 2023.

Centers for Medicare & Medicaid Services. IPF Wage Index. Available from: <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientPsychFacilPPS/WageIndex>. Accessed April 17, 2023.