CMS Manual System	**Department of Health & Human Services (DHHS)**
Pub 100-04 Medicare Claims Processing	**Centers for Medicare & Medicaid Services (CMS)**
Transmittal 3826	**Date: August 4, 2017**
	Change Request 10214

SUBJECT: Inpatient Psychiatric Facilities Prospective Payment System (IPF PPS) Fiscal Year (FY) 2018

I. SUMMARY OF CHANGES: This Change Request (CR) identifies changes that are required as part of the annual IPF PPS update from the FY 2018 IPF PPS Notice. These changes are applicable to IPF discharges occurring during fiscal year October 1, 2017 through September 30, 2018. This Recurring Update applies to Claims Processing Manual, chapter 3, section 190.4.3.

EFFECTIVE DATE: October 1, 2017
**Unless otherwise specified, the effective date is the date of service.*
IMPLEMENTATION DATE: October 2, 2017

Disclaimer for manual changes only: The revision date and transmittal number apply only to red italicized material. Any other material was previously published and remains unchanged. However, if this revision contains a table of contents, you will receive the new/revised information only, and not the entire table of contents.

II. CHANGES IN MANUAL INSTRUCTIONS: (N/A if manual is not updated)
R=REVISED, N=NEW, D=DELETED-*Only One Per Row.*

R/N/D	CHAPTER / SECTION / SUBSECTION / TITLE
R	3/190/190.4.3/Annual Update

III. FUNDING:
For Medicare Administrative Contractors (MACs):
The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the MAC Statement of Work. The contractor is not obligated to incur costs in excess of the amounts allotted in your contract unless and until specifically authorized by the Contracting Officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the Contracting Officer, in writing or by e-mail, and request formal directions regarding continued performance requirements.

IV. ATTACHMENTS:

Recurring Update Notification
Manual Instruction

Attachment - Recurring Update Notification

Pub. 100-04	Transmittal: 3826	Date: August 4, 2017	Change Request: 10214

SUBJECT: Inpatient Psychiatric Facilities Prospective Payment System (IPF PPS) Fiscal Year (FY) 2018

EFFECTIVE DATE: October 1, 2017
**Unless otherwise specified, the effective date is the date of service.*
IMPLEMENTATION DATE: October 2, 2017

I. GENERAL INFORMATION

A. Background: On November 15, 2004, the Centers for Medicare & Medicaid Services (CMS) published in the *Federal Register* a final rule that established the prospective payment system for Inpatient Psychiatric Facilities (IPF) under the Medicare program in accordance with provisions of Section 124 of Public Law 106-113, the Medicare, Medicaid and SCHIP Balanced Budget Refinement Act of 1999 (BBRA). Payments to IPFs under the IPF PPS are based on a federal per diem base rate that includes both inpatient operating and capital-related costs (including routine and ancillary services), but excludes certain pass-through costs (i.e., bad debts, and graduate medical education). CMS is required to make updates to this prospective payment system annually.

This Change Request (CR) identifies changes that are required as part of the annual IPF PPS update from the IPF Prospective Payment System Fiscal Year 2018 Notice. These changes are applicable to IPF discharges occurring during the fiscal year October 1, 2017 through September 30, 2018.

B. Policy: Fiscal Year 2018 Update to the IPF PPS

A.Policy: Fiscal Year 2018 Update to the IPF PPS

1. Market Basket Update:

For FY 2018, CMS is using the 2012-based IPF market basket to update the IPF PPS payments (that is, the Federal per diem base rate and Electroconvulsive Therapy (ECT) payment per treatment). The 2012-based IPF market basket update for FY 2018 is 2.6 percent. However, this 2.6 percent is subject to two reductions required by the Social Security Act (the Act), as described below.

Section 1886(s)(2)(A)(ii) of the Act requires the application of an "Other Adjustment" that reduces any update to the IPF market basket update by percentages specified in section 1886(s)(3) of the Act for Rate Year (RY) beginning in 2010 through the RY beginning in 2019. For the FY beginning in 2017 (that is, FY 2018), section 1886(s)(3)(E) of the Act requires the reduction to be 0.75 percentage point. CMS implemented that provision in the FY 2018 IPF PPS Notice.

In addition, section 1886(s)(2)(A)(i) of the Act requires the application of the Productivity Adjustment described in section 1886(b)(3)(B)(xi)(II) of the Act to the IPF PPS for the RY beginning in 2012 (that is, a RY that coincides with a FY), and each subsequent RY. For the FY beginning in 2017 (that is, FY 2018), the reduction is 0.6 percentage point. CMS implemented that provision in the FY 2018 IPF PPS Notice.

Therefore, CMS updated the IPF PPS base rate for FY 2018 by applying the adjusted market basket update of 1.25 percent (which includes the 2012-based IPF market basket update of 2.6 percent, an ACA required 0.75 percentage point reduction to the market basket update, and an ACA required productivity adjustment reduction of 0.6 percentage point) and the wage index budget neutrality factor of 1.0006 to the FY 2017 Federal per diem base rate of $761.37, yielding a FY 2018 Federal per diem base rate of $771.35. Similarly, applying the adjusted market basket update of 1.25 percent and the wage index budget neutrality factor of

1.0006 to the FY 2017 ECT payment per treatment of $327.78 yields an ECT payment per treatment of $332.08 for FY 2018.

2. Inpatient Psychiatric Facilities Quality Reporting Program (IPFQR)

Section 1886(s)(4) of the Act requires the establishment of a quality data reporting program for the IPF PPS beginning in FY 2014. CMS finalized new requirements for quality reporting for IPFs in the "Hospital Inpatient Prospective Payment System for Acute Care Hospitals and the Long Term Care Hospital.

Prospective Payment System and Fiscal Year 2013 Rates" Final Rule (August 31, 2012) (77 FR 53258, 53644 through 53360). Section 1886(s)(4)(A)(i) of the Act requires that, for FY 2014 and each subsequent fiscal year, the Secretary shall reduce any annual update to a standard Federal rate for discharges occurring during the FY by two percentage points for any IPF that does not comply with the quality data submission requirements with respect to an applicable year. Therefore, a two percentage point reduction is applied to the Federal per diem base rate and the ECT payment per treatment as follows:

- For IPFs that fail to submit quality reporting data under the IPFQR program, a -0.75 percent annual update (an update consisting of 1.25 percent annual update (i.e., the adjusted market basket update) reduced by 2.0 percentage points in accordance with section 1886(s)(4)(A)(ii) of the Act) and the wage index budget neutrality factor of 1.0006 are applied to the FY 2017 Federal per diem base rate of $761.37, yielding a Federal per diem base rate of $756.11 for FY 2018.

- Similarly, a -0.75 percent annual update and the 1.0006 wage index budget neutrality factor are applied to the FY 2017 ECT payment per treatment of $327.78, yielding an ECT payment per treatment of $325.52 for FY 2018.

3. PRICER Updates: IPF PPS Fiscal Year 2018 (October 1, 2017 – September 30, 2018):

- The Federal per diem base rate is $771.35 for IPFs that complied with quality data submission requirements.

- The Federal per diem base rate is $756.11 when applying the two percentage point reduction, for IPFs that failed to comply with quality data submission requirements.

- The fixed dollar loss threshold amount is $11,425.

- The IPF PPS wage index is based on the FY 2017 pre-floor, pre-reclassified acute care hospital wage index.

- The labor-related share is 75.0 percent.

- The non-labor related share is 25.0 percent.

- The ECT payment per treatment is $332.08 for IPFs that complied with quality data submission requirements.

- The ECT payment per treatment is $325.52 when applying the two percentage point reduction, for IPFs that failed to comply with quality data submission requirements.

4. Provider Specific File (PSF) Updates:

The FY 2018 IPF PPS final rule adopts the most recent OMB statistical area delineations to identify a facility's urban or rural status for the purpose of determining if a rural adjustment will apply to the facility. On July 15, 2015, OMB issued OMB Bulletin No. 15–01, which provides minor updates to, and supersedes, OMB Bulletin No. 13–01 that was issued on February 28, 2013. OMB Bulletin No. 15–01 made the

following changes that are relevant to the FY 2018 IPF wage index, which may require an update to the Provider Specific File (PSF):

- Garfield County, OK, with principal city Enid, OK, which was a Micropolitan (geographically rural) area, now qualifies as an urban new CBSA 21420 called Enid, OK.

- The county of Bedford City, VA, a component of the Lynchburg, VA CBSA 31340, changed to town status and is added to Bedford County.Therefore, the county of Bedford City (SSA State county code 49088, FIPS State County Code 51515) is now part of the county of Bedford, VA (SSA State county code 49090, FIPS State County Code 51019).However, the CBSA remains Lynchburg, VA, 31340.

- The name of Macon, GA, CBSA 31420, as well as a principal city of the Macon-Warner Robins, GA combined statistical area, is now Macon-Bibb County, GA.The CBSA code remains as 31420.

Medicare Administrative Contractors (MACs) shall update the PSF as necessary.

5. The National Urban and Rural Cost to Charge Ratios for the IPF PPS Fiscal Year 2018

- **See Table A of Attachment One:** "National Cost to Charge Ratios for the IPF PPS Fiscal Year 2018"

6. ICD-10 CM/PCS Updates

- The adjustment factors are unchanged for the FY 2018 IPF PPS. However, CMS updated the ICD-10- CM/PCS code set as of October 1, 2017. These updates affect the ICD-10-CM/PCS codes which underlie the IPF PPS MS-DRG categories, the IPF PPS comorbidity categories and the IPF PPS code first list. The updated FY 2018 MS-DRG code lists are available on the IPPS website at https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/index.html, and the updated FY 2018 IPF PPS comorbidity categories, and IPF PPS code first list are available at https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientPsychFacilPPS/tools.html.

7. FY 2018 IPF PPS Wage Index

- The FY 2018 final IPF PPS wage index is available online at: https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientPsychFacilPPS/WageIndex.html. This FY 2018 IPF PPS final wage index adopts minor OMB changes to a few statistical area delineations.

8. COLA Adjustment

- The Cost of Living Adjustment (COLA) factors list for FY 2018 IPF PPS were updated for FY 2018. See **Table B of Attachment One**: "Cost of Living Adjustments (COLAs) for IPF Prospective Payment System Fiscal Year 2018"

9. Rural Adjustment

Due to the OMB CBSA changes implemented in FY 2016, several IPFs had their status changed from "rural" to "urban" as of FY 2016. As a result, these rural IPFs were no longer eligible for the 17 percent rural adjustment which is part of the IPF PPS. Rather than ending the adjustment abruptly, CMS phased out the adjustment for these providers over a three year period. In FY 2016, the adjustment for these newly-urban providers was two-thirds of 17 percent, or 11.3 percent. For FY 2017, the adjustment for these providers was one-third of 17 percent, or 5.7 percent. For FY 2018 and subsequent years, no rural adjustment will be given to these providers. There is no rural phase-out for the single provider whose status

changed from rural to urban as a result of the July 15, 2015 OMB Bulletin 15-01.

II. BUSINESS REQUIREMENTS TABLE

"Shall" denotes a mandatory requirement, and "should" denotes an optional requirement.

Number	Requirement	Responsibility								
		A/B MAC			DME MAC	Shared-System Maintainers				Other
		A	B	HHH		FISS	MCS	VMS	CWF	
10214.1	FISS shall install and pay claims with the FY 2018 IPF PPS Pricer for discharges occurring on or after October 1, 2017.					X				
10214.2	Medicare Contractors shall perform the updates as outlined in the policy section, item 4 “Provider Specific File (PSF) Updates” of this notification.	X								
10214.3	The IPF PPS Pricer shall include all FY 2018 IPF PPS updates.									IPF Pricer

III. PROVIDER EDUCATION TABLE

Number	Requirement	Responsibility				
		A/B MAC			DME MAC	CEDI
		A	B	HHH		
10214.4	MLN Article: A provider education article related to this instruction will be available at http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNMattersArticles/ shortly after the CR is released. You will receive notification of the article release via the established "MLN Matters" listserv. Contractors shall post this article, or a direct link to this article, on their Web sites and include information about it in a listserv message within 5 business days after receipt of the notification from CMS announcing the availability of the article. In addition, the provider education article shall be included in the contractor's next regularly scheduled bulletin. Contractors are free to supplement MLN Matters articles with localized information that would benefit their provider community in billing and administering the Medicare program correctly.	X				

IV. SUPPORTING INFORMATION

Section A: Recommendations and supporting information associated with listed requirements:

"Should" denotes a recommendation.

X-Ref Requirement Number	Recommendations or other supporting information:
	N/A

Section B: All other recommendations and supporting information: N/A

V. CONTACTS

Pre-Implementation Contact(s): Sherlene Jacques, 410-786-0510 or sherlene.jacques@cms.hhs.gov , Shauntari Cheely, 410-786-1818 or Shauntari.Cheely@cms.hhs.gov

Post-Implementation Contact(s): Contact your Contracting Officer's Representative (COR).

VI. FUNDING

Section A: For Medicare Administrative Contractors (MACs):
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ATTACHMENTS: 1

190.4.3 - Annual Update

(Rev.3826; Issued: 08-04-17; Effective: 10-01-17; Implementation: 10-02-17)

Prior to rate year (RY) 2012, the Inpatient Psychiatric Facility Prospective Payment System (IPF PPS) was on a July 1st – June 30th annual update cycle. The first update to the IPF PPS occurred on July 1, 2006 and every July 1 thereafter.

Effective with RY 2012, the IPF PPS payment rate update period switched from a rate year that began on July 1st ending on June 30th to a period that coincides with a fiscal year (FY.) To transition from a RY to a FY, the IPF PPS RY 2012 covered the15 month period from July 1st – September 30th. This change to the payment update period will allow one consolidated annual update to both the rates and the ICD-10-CM*/PCS* coding changes (MS-DRG, comorbidities*, and code first*). Coding and rate changes will continue to be effective October 1st – September 30th of each year thereafter.

In accordance with 42 CFR 412.428, the annual update includes revisions to the Federal per diem base rate, the hospital wage index, ICD-10-CM coding and Diagnosis-Related Groups (DRGs) classification changes discussed in the annual update to the hospital IPPS regulations, the electroconvulsive therapy (ECT) *payment per treatment*, the fixed dollar loss threshold amount and the national urban and rural cost-to-charge medians and ceilings.

Below are the Change Requests (CRs) for the applicable Rate Years (RYs) and Fiscal Years (FYs) which are issued via Recurring Update Notification.

RY 2009 - CR 6077
RY 2010 - CR 6461
RY 2011 - CR 6986
RY 2012 - CR 7367
FY 2013 - CR 8000
FY 2014 - CR 8395
FY 2015 - CR 8889
FY 2016 - CR 9305
FY 2017 - CR 9732
FY 2018 – CR 10214

Change Requests can be accessed through the following CMS Transmittals Website:
http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientPsychFacilPPS/Inpatient-Psychiatric-Facility-PPS-Transmittals.html

Attachment 1

Table A: Cost to Charge Ratios for the IPF Prospective Payment System Fiscal Year 2018

	Rural	Urban
National Median CCRs	0.5930	0.4420
National Ceiling CCRs	1.9634	1.7071

CMS is applying the national Cost-to-Charge Ratios (CCRs) to the following situations:

- New IPFs that have not yet submitted their first Medicare cost report. For new facilities, CMS is using these national ratios until the facility's actual CCR can be computed using the first tentatively settled or final settled cost report, which will then be used for the subsequent cost report period.

- The IPFs whose operating or capital CCR is in excess of 3 standard deviations above the corresponding national geometric mean (that is, above the ceiling).

- Other IPFs for whom the fiscal intermediary obtains inaccurate or incomplete data with which to calculate either an operating or capital CCR or both.

Table B: Cost of Living Adjustments (COLAs) for IPF Prospective Payment System Fiscal Year 2018

Area	Cost of Living Adjustment Factor
Alaska:	
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
Hawaii:	
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