



Inpatient Psychiatric Facilities Prospective Payment System: FY 2025 Updates

Related CR Release Date: August 21, 2024

MLN Matters Number: MM13766

Effective Date: October 1, 2024

Related Change Request (CR) Number: [CR 13766](#)

Implementation Date: October 7, 2024

Related CR Transmittal Number: R12809CP

Related CR Title: Inpatient Psychiatric Facilities Prospective Payment System (IPF PPS)
Updates for Fiscal Year (FY) 2025

Affected Providers

- IPFs
- Other providers billing Medicare Administrative Contractors (MACs) for inpatient psychiatric services provided to Medicare patients

Action Needed

Make sure your billing staff knows about updates for FY 2025, including:

- Refinements to adjustment factors and electroconvulsive therapy (ECT) payment per treatment
- Market basket
- Wage index and labor market area changes
- Quality reporting program

Background

CMS makes annual updates to the IPF PPS. We base the changes on the [IPF Final Rule](#). These changes apply to discharges occurring from October 1, 2024 - September 30, 2025.

The changes are:

1. Refinements to IPF PPS Adjustment Factors and ECT Payment Per Treatment

Per Section 4125(a) of the [Consolidated Appropriations Act, 2023](#), we finalized revisions to the

payment adjustments for Medicare Severity Diagnosis-Related Groups (MS-DRGs) assignment of the patient's principal diagnosis, selected comorbidities, patient age, and the variable per diem adjustments, effective for FY 2025. Also, we finalized a proposal to use the pre-scaled and preadjusted CY 2024 Outpatient Prospective Payment System (OPPS) geometric mean cost of \$675.93 as the basis for the IPF PPS ECT payment per treatment in FY 2025.

A summary of the applicable adjustment factors and payment rates is in [Attachment 1 of CR 13766](#).

2. Market Basket Update

In the FY 2024 IPF PPS final rule, we rebased and revised the market basket applicable to IPFs and adopted a 2021-based IPF-specific market basket. For FY 2025, we're using the 2021-based IPF market basket to update the IPF PPS payments (in other words, the federal per diem base rate and ECT payment per treatment). The 2021-based IPF market basket update for FY 2025 is 3.3%. This 3.3% is subject to 1 reduction required by Section 1886(s)(2)(A)(i) of the [Social Security Act](#) (the Act), as described below.

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 Rate Year (RY) starting in 2012 (in other words, an RY that coincides with an FY), and each subsequent RY. For the FY starting in 2024 (in other words, FY 2025), the reduction is 0.5%. We implemented that provision in the FY 2025 IPF PPS Final Rule. So, we updated the IPF PPS base rate for FY 2025 by applying the adjusted market basket update of 2.8% (which includes the 2021-based IPF market basket update of 3.3% and a productivity adjustment reduction of 0.5%) and the wage index budget neutrality factor of 0.9996 to the FY 2024 federal per diem base rate of \$895.63, giving an FY 2025 federal per diem base rate of \$876.53.

Similarly, applying the adjusted market basket update of 2.8%, the refinement standardization factor of 0.9524, and the wage index budget neutrality factor of 0.9996 to the pre-scaled and preadjusted CY 2024 OPPS geometric mean cost of \$675.93 yields an ECT payment per treatment of \$661.52 for FY 2025.

3. FY 2025 Wage Index Update

For FY 2025, we're revising the labor market area delineations that the wage index uses. We're adopting revised Core Based Statistical Areas (CBSA) delineations based on [OMB Bulletin 23-01](#). We also continued our policy from FY 2024 of updating the IPF PPS wage index for FY 2025 with the concurrent wage data from the [FY 2025 final PPS wage index](#).

4. Inpatient Psychiatric Facilities Quality Reporting Program (IPFQR)

Section 1886(s)(4)(A)(i) of the Act requires that, for FY 2014 and each subsequent FY, the Secretary will reduce any annual update to a standard federal rate for discharges occurring during the FY by 2% for any IPF that doesn't comply with the quality data submission requirements with respect to an applicable year. The 2% reduction applies when calculating the federal per-diem base rate and the ECT payment per treatment as follows:

- We reduce the adjusted market basket update of 2.8% by 2.0%, for an update of 0.8% for IPFs that failed to meet quality reporting requirements
- For IPFs that failed to submit quality reporting data under the IPFQR program for FY 2025, the 0.8% update, the refinement standardization factor of 0.9524, and the wage index budget neutrality factor of 0.9996 are applied to the FY 2024 federal per diem base rate of \$895.63, yielding a federal per diem base rate of \$859.48
- IPFs that failed to submit quality reporting data under the IPFQR program for FY 2025, the 0.8% update, the refinement standardization factor of 0.9524, and the wage index budget neutrality factor of 0.9996 are applied to the pre-scaled and preadjusted CY 2024 OPSS geometric mean cost of \$675.93, yielding a per treatment ECT payment of \$648.65 for FY 2025

5. PRICER Updates: IPF PPS FY 2025

- The federal per diem base rate is \$876.53 for IPFs that complied with quality data submission requirements
- The federal per diem base rate is \$859.48, when applying the 2% reduction, for IPFs that failed to comply with quality data submission requirements
- The fixed dollar loss threshold amount is \$38,110
- We based the IPF PPS wage index on the FY 2025 pre-floor, pre-reclassified acute care hospital wage index
- The labor-related share is 78.8%
- The non-labor related share is 21.2%
- The ECT payment per treatment is \$661.52 for IPFs that complied with quality data submission requirements
- The ECT payment per treatment is \$648.65 when applying the 2% reduction for IPFs that failed to comply with quality data submission requirements
- The revised IPF PPS adjustment factors for MS-DRG, comorbidities, patient age, and the variable per diem adjustments are summarized in Attachment 1 of CR 13766
- Pricer will apply the rural transition for IPFs that will become urban in FY 2025 because of the adoption of the revised Core Based Statistical Areas (CBSA) delineations

6. Provider Specific File (PSF) Updates

Per the FY 2025 IPF PPS Final Rule, we're finalizing our proposal to phase out the rural adjustment for IPFs that will become urban in FY 2025 because of the adoption of the revised CBSA delineations based on OMB Bulletin 23-01. We'll apply two-thirds of the rural adjustment for these providers for FY 2025 and one-third of the rural adjustment for FY 2026. For FY 2027, these IPFs won't receive a rural adjustment. We also continued our established policy of applying a 5% cap on any decrease to a provider's final wage index from that provider's final wage index in the prior FY.

7. The National Urban and Rural Cost-to-Charge Ratios for the IPF PPS FY 2025

See the National Cost-to-Charge Ratios (CCRs) in Attachment 1 of CR 13766.

8. ICD-10-CM/PCS Updates

For FY 2025 we're revising the IPF PPS adjustment factors as discussed above. Also, we updated the ICD-10-CM/PCS code set, effective October 1, 2024. These updates affect the ICD-10-CM/PCS codes that underlie the IPF PPS MS-DRGs and the IPF PPS comorbidity categories. The updated FY 2025 MS-DRG code lists are available at [Acute Inpatient PPS](#), and the updated FY 2025 IPF PPS comorbidity categories are available at [Tools and Worksheets](#).

There were no changes for FY 2025 to the IPF ECT procedure code list.

9. Cost-of-Living Adjustment (COLA)

The FY 2025 IPF PPS COLA factors are the same as those in FY 2024. The COLAs are in Attachment 1 of CR 13766.

10. Rural Adjustment

For FY 2025, IPFs designated as rural continue to get a 17% rural adjustment. Also, as discussed in the FY 2025 IPF PPS Final Rule, we're finalizing our proposal to phase out the rural adjustment for IPFs that will become urban in FY 2025 because of the adoption of the revised CBSA delineations based on the OMB Bulletin 23-01. We'll apply two-thirds of the rural adjustment for these providers for FY 2025 and one-third of the rural adjustment for FY 2026. For FY 2027, these IPFs won't get a rural adjustment.

More Information

We issued CR 13766 to your MAC as the official instruction for this change.

For more information, [find your MAC's website](#).

Document History

Date of Change	Description
August 22, 2024	Initial article released.

View the [Medicare Learning Network® Content Disclaimer and Department of Health & Human Services Disclosure](#).

The Medicare Learning Network®, MLN Connects®, and MLN Matters® are registered trademarks of the U.S. Department of Health & Human Services (HHS).