

CMS Manual System	Department of Health & Human Services (DHHS)
Pub 100-04 Medicare Claims Processing	Centers for Medicare & Medicaid Services (CMS)
Transmittal 2220	Date: May 20, 2011
	Change Request 7367

SUBJECT: Update-Inpatient Psychiatric Facilities Prospective Payment System (IPF PPS) Rate Year 2012

I. SUMMARY OF CHANGES: This Change Request (CR) identifies changes that are required as part of the annual IPF PPS update from the RY 2012 IPF PPS update notice, published on or about April 30, 2011. These changes are applicable to IPF discharges occurring during the 15-month rate year period from July 1, 2011 through September 30, 2012.

EFFECTIVE DATE: July 1, 2011

IMPLEMENTATION DATE: July 5, 2011

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	3/190.4.3/Annual Update

III. FUNDING:

For Fiscal Intermediaries (FIs), Regional Home Health Intermediaries (RHHIs) and/or Carriers:

No additional funding will be provided by CMS; Contractor activities are to be carried out within their operating budgets.

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:

Manual Instruction

Recurring Update Notification

**Unless otherwise specified, the effective date is the date of service.*

Attachment – Recurring Update Notification

Pub. 100-04	Transmittal:2220	Date: May 20, 2011	Change Request: 7367
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SUBJECT: Update-Inpatient Psychiatric Facilities Prospective Payment System (IPF PPS) Rate Year 2012

Effective Date: July 1, 2011

Implementation Date: July 5, 2011

I. GENERAL INFORMATION

A. Background: On November 15, 2004, 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 Balance 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). We are required to make updates to this prospective payment system annually. The Inpatient Psychiatric Facility Prospective Payment System payment rate update period will switch from a rate year (RY) that begins on July 1 ending on June 30 to a period that coincides with a fiscal year (FY) that begins on October 1 ending on September 30. In order to transition from a RY to a FY the IPF Prospective Payment System Rate Year (RY) 2012 will be a 15 month period from July 1, 2011 – September 30, 2012. This change to the payment update period will allow one consolidated annual update to both the rates and the ICD-9-CM coding changes (MS-DRG and comorbidities). Coding and rate changes will continue to be effective October 1 of each year thereafter.

This Change Request (CR) identifies changes that are required as part of the annual IPF PPS update from the IPF Prospective Payment System Rate Year 2012 Final Rule, displayed on April 29, 2011. These changes are applicable to IPF discharges occurring during the rate year July 1, 2011 through September 30, 2012. This is the sixth RY update to the IPF PPS.

B. Policy:

Rate Year 2012 Update to the IPF PPS

1. Market Basket Update:

For RY 2012, we rebased and revised the FY 2002-based Rehabilitation, Psychiatric and Long Term Care (RPL) market basket to a FY 2008-based RPL market basket. The RY 2012 market basket is a 15-month market basket, effective for discharges occurring on or after July 1, 2011 through September 30, 2012.

Section 1886(s)(3)(A) of the Act, which was added by Section 3401(f) of the Affordable Care Act (Pub. L. 111-148) as amended by Section 10319(e) of that Act and by Section 1105 of the Health Care and Education Reconciliation Act of 2010 (Pub. L. 111-152), requires the application of an “Other Adjustment” that reduces any update to the IPF PPS base rate by 0.25 percentage point for the rate year beginning in 2011. We are implementing that provision for RY 2012 in this final rule.

Specifically, we reduced the update to the IPF PPS base rate by 0.25 percent for rate year 2012. Applying the market basket increase of 3.2 percent, with the “Other Adjustment” of -0.25 percentage point, and the wage index budget neutrality factor of 0.9995 to the RY 2011 Federal per diem base rate of \$665.71 yields a Federal

per diem base rate of \$685.01 for RY 2012. Similarly, applying the market basket increase with the “Other Adjustment”, and the wage index budget neutrality factor to the RY 2011 electroconvulsive therapy (ECT) rate yields an ECT rate of \$294.91 for RY 2012.

2. PRICER Updates: For IPF Prospective Payment System Rate Year 2012, (July 1, 2011 – September 30, 2012):

- The Federal per diem base rate is \$685.01.
- The fixed dollar loss threshold amount is \$7,340.00.
- The IPF PPS will use the FY 2011 unadjusted pre-floor, pre-reclassified hospital wage index.
- The labor-related share is 70.317 percent.
- The non-labor related share is 29.683 percent.
- The ECT rate is \$294.91.

3. Provider Specific File (PSF) Updates:

No updates beyond standard maintenance.

4. The National Urban and Rural Cost to Charge Ratios for the IPF Prospective Payment System Rate Year 2012:

Cost to Charge Ratio	Median	Ceiling
Urban	0.5055	1.7643
Rural	0.6435	1.8199

We are applying the national median Cost-to-Charge Ratios (CCRs) to the following situations:

- New IPFs that have not yet submitted their first Medicare cost report. For new facilities, we are 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.

5. MS-DRG Update

The code set and adjustment factors are unchanged for IPF Prospective Payment System Rate Year 2012.

6. FY 2011 pre-floor, pre-reclassified hospital wage index

We are using the updated wage index and the wage index budget neutrality factor of **0.9995**.

7. COLA Adjustment

The Office of Personal Management (OPM) began transitioning from cost of living adjustment (COLA) factors to a locality payment rate in FY 2010. The 2009 COLA factors were frozen in order to allow this transition. In order to provide a full COLA for Alaska and Hawaii, we are adopting the FY 2009 COLA rates obtained from the OPM website.

Area	Cost of Living Adjustment Factor
Alaska:	

Number	Requirement	Responsibility									
		A / B M A C	D M E M A C	F I I E R	C A R R I E R	R H H I	Shared-System Maintainers				Other
							F I S S	M C S	V M S	C W F	
	in a listserv message within one week of the availability of the provider education article. In addition, the provider education article shall be included in your 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.										

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):

Policy: Dorothy Myrick at dorothy.myrick@cms.hhs.gov

Claims Processing: Shauntari Cheely at shauntari.cheely1@cms.hhs.gov ; Sarah Shirey-Losso at sarah.shirey-losso@cms.hhs.gov

Post-Implementation Contact(s): Your Contracting Officer's Technical Representative (COTR) or Contractor Manager, as applicable.

VI. FUNDING

Section A: For *Fiscal Intermediaries (FIs), Regional Home Health Intermediaries (RHHIs), and/or Carriers:*

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Section B: For *Medicare Administrative Contractors (MACs):*

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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.

Medicare Claims Processing Manual

Chapter 3 - Inpatient Hospital Billing

190.4.3 - Annual Update

(Rev.2220, Issued: 05-20-11, Effective: 07-01-11, Implementation: 07-05-11)

Prior to rate year (RY) 2012, the 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 Inpatient Psychiatric Facility Prospective Payment System payment rate update period will switch from a (RY) that begins on July 1 ending on June 30 to a period that coincides with a fiscal year (FY.) To transition from a RY to a FY, the IPF Prospective Payment System Rate Year 2012 will cover the 15 month period from July 1, 2011 – September 30, 2012. This change to the payment update period will allow one consolidated annual update to both the rates and the ICD-9-CM coding changes (MS-DRG and comorbidities). Coding and rate changes will continue to be effective October 1 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-9-CM coding and Diagnosis-Related Groups (DRGs) classification changes discussed in the annual update to the hospital IPPS regulations, the electroconvulsive therapy (ECT) rate, 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):

RY 2009 – CR 6077

RY 2010 – CR 6461

RY 2011 – CR 6986

RY 2012 – CR 7367

Change Requests can be accessed through the following CMS Transmittals Web site:

http://www.cms.hhs.gov/Transmittals/01_Overview.asp