April 4, 2022

Inpatient Psychiatric Facility PPS: Proposed Rule for FY 2023

The Centers for Medicare & Medicaid Services (CMS) March 31 issued its fiscal year (FY) 2023 proposed rule for the inpatient psychiatric facility (IPF) prospective payment system (PPS).

KEY HIGHLIGHTS

If finalized, CMS would:

- Establish a permanent 5% cap on decreases in wage index
- Update the IPF payment rate by 2.7 percent for FY 2023
- Not make any changes to the IPF Quality Reporting program

In addition, the agency:

- Solicits comments on the results of data analysis on IPF PPS adjustments
- Solicits comments on approaches for measuring equity and health care quality disparities

WHAT YOU CAN DO

CMS will accept comments on this rule through May 31.

- To submit comments, visit http://www.regulations.gov or send via regular mail to CMS.
- AHA will be submitting comments on the rule, and will share these comments with the field prior to the deadline.

PROPOSED IPF PPS PAYMENT PROVISIONS

CMS proposes several updates to IPF payment rates.

- CMS proposes to increase IPF payments by a net 2.7% equivalent to $50 million, in FY 2023.
- The 2.7% payment update includes a 3.1% market basket update, a productivity cut of 0.4 percentage points, and maintains estimated outlier payments at 2% of aggregate IPF payments.
- Under these payment updates, the federal per diem base rate would be $856.80 (an increase from the previous rate of $832.94). The electroconvulsive therapy (ECT) payment per treatment would be $368.87 (an increase from the previous rate of $358.60).

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- The labor-related share for FY 2023 is proposed to be 77.4% based on the revised market basket, an increase from the previous labor-related share of 77.2%.

Proposed Permanent Cap on Wage Index Decreases

CMS proposes to adopt a permanent policy that would cap wage index decreases from year-to-year at 5%. In past rules, CMS has implemented policies to mitigate significant changes to payments due to changes in the IPF PPS wage index. In the FY 2021 IPF PPS final rule, the agency implemented a 2-year transition period that would temporarily apply a 5-percent cap on any decrease in an IPF's wage index from the IPF's final wage index from FY 2020. In response to comments and considering that year-to-year fluctuations in an area's wage index can occur due to factors beyond a provider's control (such as the COVID-19 public health emergency), CMS proposes to adopt the 5% cap permanently. This means that an IPF's wage index for FY 2023 would not be less than 95% of its final wage index for FY 2022, regardless of whether the IPF is part of an updated core-based statistical area.

In addition, that capped wage index would be used when determining the wage index in the following year as well—that is, if an IPF's wage index for FY 2023 is calculated with the 5% cap, the wage index for FY 2024 would not be less than 95% of the FY 2023 value. Finally, CMS proposes that a new IPF would be paid the wage index for the area in which it is geographically located for its first full or partial fiscal year with no cap applied (as the new facility would not have a wage index for a prior year)

Analysis of IPF PPS Adjustments

CMS has used the existing regression-derived adjustment factors to inform IPF PPS payment rates since 2005. In more recent years, the agency has found instances of variation in cost and claim data and thus has worked with a contractor to analyze this information. From this work, CMS has concluded that the existing IPF PPS model is generally effective at aligning payments with costs, but believes that certain updates could improve payment accuracy. In this rule, CMS requests feedback on the results of its analysis, specifically on patient-level characteristics, facility-level characteristics, and areas where additional research is needed.

IPF QUALITY REPORTING PROGRAM (IPFQR): REQUEST FOR INFORMATION

CMS does not propose any changes to the IPFQR. However, the agency does solicit comments on overarching principles for measure equity and health care quality disparities across CMS programs. The RFI is not specific to IPFs or behavioral health, and appears in the proposed rules for other settings as well. The RFI consists of three sections, and asks for feedback regarding:

1. A general framework that could be utilized across CMS quality programs, including principles for selecting quality measures for stratified reporting and a discussion of the benefits and drawbacks of various reporting methods;

2. Approaches that could be used in the IPFQR to address health equity, including statistical methods to identify specific drivers of inequities and quality measures assessing facility performance in addressing health equity;
3. The concepts described in the previous sections as well as additional thoughts about disparity measurement or stratification guidelines for CMS quality reporting programs.

FURTHER QUESTIONS

If you have questions, please contact Caitlin Gillooley, AHA's director for quality and behavioral health policy, at 202-626-2267 or cgillooley@aha.org.