

PUBLICATION

Final FY 2017 Inpatient Psychiatric Facilities Payment and Policies Rule [Ober|Kaler]

2016

On August 1, 2016, CMS published the FY 2017 Inpatient Psychiatric Facilities (IPF) Prospective Payment System (PPS) – Rate Update [notice \[PDF\]](#). Some of the key changes are highlighted below.

Payment Update

Implemented in 2005, the IPF PPS establishes a per diem base rate for inpatient operating and capital costs for covered psychiatric services. CMS estimates the market basket update based on forecasts by IHS Global Insight. For federal fiscal year (FY) 2017 (October 1, 2016 – September 30, 2017), the market basket increase factor is 2.8 percent, which is reduced by the 0.3 percent productivity adjustment and the 0.2 percent required by law, for a net market basket update of 2.3 percent. Further, CMS updated the fixed dollar loss threshold (reducing it by .1 percentage point). These adjustments reduce the market basket increase factor by .5 percent, down to 2.2 percent.

In addition, the annual payment rate update for those IPFs that “fail to report required quality data” will continue to be reduced by 2.0 percentage points.

Wage Index – OMB CBSA Delineations

To account for geographic variances, the labor portion of each IPF's payment is adjusted by an appropriate wage index. CMS uses CBSA changes published in the OMB bulletin that correspond with the wage index CMS uses to define the IPF PPS wage index. CMS implemented OMB bulletin changes in the FY 2016 IPF PPS wage index that will be included in the FY 2017 IPF PPS wage index. Recognizing that recent OMB CBSA changes resulted in reduced payments to some IPFs, in FY 2016, CMS instituted a one year transition period in which it would use a blended wage index for all providers. Moving forward in FY 2017 and beyond, the IPF PPS wage indices will operate solely off the recently updated OMB CBSA delineations.

The one exception to this is where the OMB CBSA changes adopted in FY 2016 affected some IPFs' designations as either urban or rural. This designation is meaningful because rural IPFs benefit from a 17 percent payment adjustment. Those IPFs that were re-designated from rural to urban experienced a loss in payments. To address that loss, CMS tailored its policy to provide for a phase-out of the rural adjustment for the affected IPFs. Those re-designated IPFs received two-thirds of the rural adjustment for FY 2016 and will receive one-third of the rural adjustment in FY 2017. In subsequent years, they will not receive any additional portion of the rural adjustment.