

CAPITOL STREET

July 31, 2024

Psych Final Pay: 2025 +2.5%

Future Facility-Level & Patient Assessment Policy Coming

Relevant Companies



The CMS final rule, released this afternoon, can be found [here](#).

»» Our Take & Next Up

The final 2025 Inpatient Psychiatric Facilities (IPF) rule would provide +2.5% rates to Psych hospitals (slightly down from +2.6% proposed), in line with our expectations and preview of 3/14 with no draconian new policies for '25. Urban freestanding for-profits will experience pay +2.5% and rural freestanding hospitals +4.2%, respectively. Despite a Congressionally-mandated analysis of the somewhat dated PPS we said that we do not foresee major draconian pay updates for psych hospitals (near-term). We do look for potential Psych hospital reforms in the out years as CMS requested data and comments and will propose policy in the future. See highlights of the payment rule below.

»» Key Points

The market basket (MB) increase is proposed to be +3.3% with a 0.5% point reduction for the productivity adjustment. For 2025, CMS is updating the IPF payment rates by 2.8%, based on the 2021-based IPF market basket increase of 3.3%, reduced by a 0.5% point productivity adjustment. CMS is updating the outlier threshold so that estimated outlier payments remain at 2.0% of total payments and will result in a 0.3% decrease in aggregate payments. Total estimated payments to IPFs are estimated to increase by 2.5%, or \$65 M, in 2025 relative to IPF payments in 2024.

Future facility-level and patient-assessment policies are likely forthcoming. CMS sought input on potential future revisions to the IPF facility-level adjustments based on the results of recent IPF cost and claim analysis. An analysis of 2019 -2021 claims and costs data identified potential changes in the regression factors for IPFs with a rural location and teaching status and suggested there may be value in including a new facility-level variable for the safety net patient population. CMS solicited public input on standardized patient assessment data to refine future IPF PPS payments and monitor quality, as well.

Updates to the IPFQR (Inpatient Psych Facility Quality Reporting) program are as follows:

- **Mandates IPFs to submit specified quality data to CMS to assess and enhance care quality.** Non-compliance results in a 2% point reduction in annual payment update.

- **Introduction of the 30-Day Risk-Standardized All-Cause Emergency Department Visit following an Inpatient Psychiatric Facility Discharge measure.** This new measure evaluates ED visits within 30 days post-discharge, providing insight into post-care outcomes. The aim is to bolster discharge planning and care coordination efforts.
- **CMS will not move forward with IPFs submitting patient-level quality data quarterly, aligning with other programs** to reduce data strain on IPF systems and improve reporting efficiency. CMS is not finalizing its proposal to require IPFs to submit patient-level quality data for certain measures on a quarterly basis (as opposed to the current annual basis).

ECT payment enhanced for '25 to ensure access. In addition, an analysis of the latest IPF claims and cost data found that ancillary costs for stays that include electroconvulsive therapy (ECT) treatments have increased more than the ECT per treatment payment has since 2005. To remedy this, we are increasing the IPF ECT per treatment amount. For 2025, the ECT payment per treatment will be \$661.52, an increase from the FY 2024 ECT payment per treatment of \$385.58.

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