

For-Profit Psych Hospital Pay +3.6%

Healthy IPF Rates, No Major Policy Shifts

The Centers for Medicare and Medicaid Services (CMS) released the final FY 2023 inpatient psych facility (IPF) regulation on July 27 ([here](#)). New polices and pay start Oct 1, the beginning of FY 2023.

- **Psychiatric hospitals will receive a +2.5% overall update in FY23.** Total payments to IPF are said to increase by +2.5% (\$90 M) in FY 2023 relative to IPF payments in FY 2022. For FY 2023, CMS is updating the IPF PPS payment rates by 3.8% based on the final IPF market basket update of 4.1% less a 0.3% point productivity adjustment. This 2023 MB growth rate of 4.1% update would be the highest market basket update CMS has implemented since the beginning of the IPF PPS. This compares to the proposed rule which stated psychiatric hospitals would receive a +1.5% (\$50 M) overall update in FY23. This is an update to the IPF payment rate of 2.7%, based on a MB update of 3.1%, less a 0.4% productivity adjustment.
- **Rural for-profit hospitals would see an update of +3.4% and Urban for-profit hospitals would see an update of +3.7%.** This is a huge update from the proposed updates of +2.3% (Rural) and +2.7% (urban). These are standalone facilities i.e., not a psychiatric hospital unit.
- **Outlier policy cuts remain the same as proposed.** CMS will finalize the outlier threshold so that estimated outlier payments remain at 2.0% of total payments. CMS estimates that this would result in a -1.2 % overall decrease to aggregate payments due to updating the outlier threshold.
- **CMS will apply a 5% cap on decreases in the IPF PPS wage index for FY 2023 and subsequent years.** This is in place to mitigate instability in IPF PPS payments due to significant wage index decreases.
- **No changes to quality reporting for future years.** As a reminder, CMS proposed and finalized the following in 2021.
 - **COVID-19 vaccination.** For the 2023 payment determination and subsequent years, CMS will add the COVID-19 Vaccination Coverage Among Healthcare Personnel measure to the quality reporting. The measure addresses the quality priority of “Promote Effective Prevention & Treatment of Chronic Disease” through the meaningful measures domain of preventive care. The process measure was developed by the Centers for Disease Control and Prevention (CDC) to track COVID-19 vaccination coverage among HCP in the IPF setting.
 - **Psych follow up post-hospitalization can be done by a primary care provider.** For the 2024 payment determination and subsequent years, CMS to add the Follow-up After Psychiatric Hospitalization measure to the IPFQR Program. This claims-based measure expands the cohort of the Follow-up After Hospitalization for Mental Illness measure, which is currently in the IPFQR Program, to include patients with substance use disorders. It also expands the provider types who can provide follow-up care to include primary care providers.
- **OUR TAKE / NEXT UP:** This is the highest MB that Psych hospitals have ever seen. It’s good news for psychiatric hospitals such as ACHC, UHS, others. Final rates and policies start Oct 1, 2022, the start of the Gov FY23.