

# CAPITOL STREET

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April 4, 2023

## +1.9 % Medicare IPF PPS FY 2024 Rate Update

### Healthy Pay Update, Hospitals That Open Psych Wards Can Bill At IPF Rate

Relevant Companies



 Universal Health Services, Inc.

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**CMS released the 2024 Medicare Inpatient Psychiatric Facilities Prospective Payment System Rate Update this evening (see [here](#)).** Proposed changes would be effective for IPF discharges occurring during the FY beginning October 1, 2023 through September 30, 2024 (FY 2024). Comments are due by June 5. Inpatient psychiatric facilities (IPFs) treat Medicare beneficiaries with mental illnesses or substance abuse disorders. IPF PPS rates cover all costs that efficient providers are expected to incur while providing inpatient psychiatric care.

### »» Our Take & Next Up

This is positive for psychiatric hospitals such as ACHC, UHS and others. Comments are due in June with final rates around August 1 and policies starting October 1, 2023, the start of Gov FY 24. Recall that CMS is required to revisit and possibly revamp the IPF PPS for 2025, hence the stakeholder questions and information requested in this rule.

### »» Key Points

**The Medicare payment update would be +1.9% for all psych hospitals in 2024, with +2.5% and +1.6% for urban and rural for-profit hospitals, respectively.** CMS proposes to update the IPF PPS payment rates by 3.0%, based on the proposed 2021-based IPF market basket increase of 3.2 minus a proposed 0.2% productivity adjustment. CMS also proposes to update the outlier threshold so estimated outlier payments remain at 2.0% of total payments. CMS estimates a resulting 1.0% decrease to aggregate payments due to updating the outlier threshold.

**The proposal allows greater flexibility for hospitals to open and bill Medicare for a new inpatient psychiatric distinct unit.** CMS provided the same flexibility for new hospital-based IRF units in a proposed payment rule released on April 3. Hospitals may open a new IPF unit at any time during the cost reporting period (beginning FY 2024). This proposal would allow a hospital unit to start being paid

under the IPF PPS, as long as CMS receives a 30-day advance notice. This proposal would reduce the administrative burden on hospitals when opening new psychiatric units.

**The proposal revises the market basket used to update Psych PPS payments.** For 2024, CMS would adopt a 2021-based IPF MB. Changes to the MB cost weights, price proxies, market basket update, and labor-related share are included. Proposed FY 2024 labor-related share (LRS) is 78.5%, +1.1% increase from the FY 2023 LRS of 77.4%. This is because of the rebasing and revising of the IPF market basket.

**The rule features an RFI for future revisions to the IPF PPS**, as required by CAA, 2023 ([here](#)). Revisions are required for FY 2025. Questions follow.

- What other data and information would be beneficial for informing revisions to the IPF payment methodologies that are currently obtainable through claims or cost report information? What codes, conditions, other indicators should we examine to identify this data from existing sources?
- What other data and information would be beneficial for informing revisions to the IPF PPS payment methodologies that are not routinely coded on claims or identifiable through cost report information? What are some potential alternative sources we could consider for collecting these data and information?
- What data and information that is currently reported on claims data could be used to inform revisions to the IPF payment methodologies?
- The current payment adjustments were derived from a regression analysis based on the FY 2002 MedPAR data file. The adjustment factors included for payment were found in the regression analysis to be associated with statistically significant per diem cost differences; with statistical significance defined as  $p < 0.05$ . Are there alternative approaches or considerations that we should consider for future analysis?
- What if any additional data or information should we consider collecting that could address access to care in rural and isolated communities?

**CMS is proposing to adopt the following health equity measures for the IPFQR Program.**

- CMS proposes to adopt the Facility Commitment to Health Equity measure beginning with FY 2026 payment determination.
- CMS proposes to adopt a Screening for Social Drivers of Health (SDOH) measure beginning with voluntary reporting of CY 2024 data and required reporting beginning with the FY 2027 payment determination.
- CMS is proposing to adopt the Screen Positive Rate for SDOH measure beginning with voluntary reporting of CY 2024 data and required reporting beginning with the FY 2027 payment determination.

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