

February 16, 2011

**ILLINOIS HOSPITAL ASSOCIATION
M E M O R A N D U M**

TO: Chief Executive Officers, Member Hospitals and Health Systems
Chief Financial Officers

FROM: Maryjane A. Wurth, President
Teresa Hursey, Vice President, Finance

SUBJECT: Technical Bulletin #372
Medicare Inpatient Psychiatric Facilities Prospective Payment System
CMS FY 2012 Proposed Rule

On Jan. 27, the Centers for Medicare and Medicaid Services' (CMS) published in the *Federal Register* its proposed Medicare prospective payment system update for inpatient psychiatric facilities (IPF-PPS) beginning July 1, 2011. Comments on the proposed rule are due to CMS no later than 5:00 p.m., Mar. 22.

As part of the rule, CMS is proposing to revise the annual rate update period from the current rate year (i.e., Jul. 1 through June 30) to the federal fiscal year (Oct. 1 through Sep. 30). Consequently, if this proposed change is adopted as final, the IPF-PPS payment rates and policies implemented by CMS will be effective for discharges occurring on or after Jul. 1, 2011 through Sep. 30, 2012. Within the next couple of weeks, IHA will be sending you estimated impacts of the proposed rule changes on your organization.

[Click here](#) to see the proposed rule (pages 4998-5051).

Following are highlights of the rule:

- **This proposed rule is estimated to increase payments to all inpatient psychiatric facilities by approximately 2.54%.** This percentage increase is the result of several factors, including:
 1. A 12-month market basket increase of 2.6%,
 2. An additional increase of 0.4% as a result of adding three months to the FY2012 rate year,
 3. An Affordable Care Act mandated reduction of 0.25%,
 4. Budget neutrality and other payment changes of -0.21%.

- Similar to the hospital inpatient skilled nursing PPS system, a per-diem payment will be made. The unadjusted per diem rate proposed is \$683.68, a slight increase from the FY 2010 per diem rate of \$665.71.
- The amount paid for electroconvulsive therapy will increase to \$294.33 from \$286.60.
- **There are no changes proposed to the following patient and facility-level adjustment factors:**
 - **Age adjustment,**
 - **DRG adjustment,**
 - **Rural facility adjustment,**
 - **Teaching hospital adjustment,**
 - **Variable per diem adjustment.**
- The final rule **increases** the fixed dollar loss threshold from \$6,372 to \$7,316. CMS states that this increase is necessary to maintain the outlier payment pool at 2% of total inpatient psychiatric PPS payments. Effectively, this increase will decrease the number of cases that will qualify for additional outlier payments.
- The labor portion of the standardized rate for FY 2012 is 70.499%, a decrease from the FY 2011 portion of 75.400%; applying this factor to the federal base rate of \$683.68 results in an unadjusted labor portion of \$481.99.
- The notice provides for an adjustment based upon the geographic location of the provider; following are the values for Illinois CBSAs for 2012:

➤ Bloomington-Normal	0.9439
➤ Cape Girardeau	0.8983
➤ Champaign	1.0235
➤ Chicago	1.0593
➤ Danville	0.9693
➤ Rock Island	0.8400
➤ Decatur	0.7916
➤ Kankakee	1.0619
➤ Lake County	1.0781
➤ Peoria	0.9149
➤ Rockford	1.0033
➤ St. Louis	0.9090
➤ Springfield	0.9130
➤ Rural	0.8343

If you have any questions or comments, please contact Teresa Hursey at 630-276-5524 or thursey@ihastaff.org or Tom Jendro at 630-276-5516 or tjendro@ihastaff.org.