

**Proposed Inpatient Psychiatric Facility (IPF) Prospective Payment System (PPS)  
Fact Sheet**

1 The proposed IPF PPS was developed using regression analysis on data obtained from the 1999 cost report file and 1999 MEDPAR stays for IPFs. The effective date for implementing IPF PPS is for cost reporting periods beginning on or after April 1, 2004.

2 The Proposed **Federal Per Diem Base Rate** is **\$530.00**

Labor - Share	<b>\$386</b>
.Non - Labor - Share	<b>\$144</b>

3 The base rate is then adjusted by the appropriate adjustments

4 **Age Adjustment:** patients age 65 and over is 13 percent

5 **DRG Adjustment:** One of 15 DRGs based on principle diagnosis

DRG	Proposed DRG Adjustment
12	1.07
23	1.10
424	1.22
425	1.08
426	1.00
427	1.01
428	1.03
429	1.02
430	1.00
431	1.02
432	0.96
433	0.88
521	1.02
522	0.97
523	0.88

1 **Comorbidity Groupings Adjustment: (17 possible groupings)**

Comorbidity Groupings	Proposed Comorbidity Adjuster
HIV	1.06
Coagulation Factor Deficits	1.11
Tracheotomy	1.14
Eating and Conduct Disorders	1.03
Infectious Diseases	1.08
Renal Failure, Acute	1.08
Renal Failure, Chronic	1.14
Malignant Neoplasms	1.10
Uncontrolled Diabetes Mellitus with or without complications	1.10
Severe Protein Calorie Malnutrition	1.12
Drug and/or Alcohol Induced Mental Disorders	1.03
Cardiac Conditions	1.13
Arteriosclerosis of the Extremity with Gangrene	1.17
Chronic Obstructive Pulmonary Disease	1.12
Artificial Openings - Digestive and Urinary	1.09
Severe Musculoskeletal and Connective Tissue Diseases	1.12
Poisoning	1.14

2 **Variable Per Diem** adjustment to recognize the higher costs incurred in the early days of a psychiatric stay

<b>Variable Per Diem Adjustment</b>	
Days 1	1.26
Days 2 - 4	1.12
Days 5 - 8	1.05
Day 8 +	no adjustment

- 3 **Outlier Payments** - Total outlier payments set to equal **2%** of total IPF PPS payments with a fixed dollar loss amount of **\$4200** and a declining risk-sharing ratio payable upon discharge.

<b>Declining Risk Sharing Ratio</b>	
Days 1-8	80 %
Days over 8	60 %

- 4 **Interrupted Stays** -any readmissions to the same facility **within 5 consecutive calendar days** would be treated as a continuation of the original stay and the length of stay adjustments would be applied accordingly.

- 5 **Transition- A 3-year blended transition period, where the fourth year is 100% PPS**

<b>Year</b>	<b>Cost-Based percent (TEFRA)</b>	<b>PPS percent</b>
1	75%	25%
2	50%	50%
3	25%	75%
4	0%	100%

- 1 **Rural Location Adjustment:** IPFs in rural areas would get a 16 percent additional payment

- 2 **Teaching Adjustment:** Teaching adjustment is based on 1 plus the ratio of interns and residents to average daily census raised to the power of 0.5215.

- 3 **Wage Index:** Addendum B1 Pre-Reclassified Wage Index for Urban Area  
Addendum B2 Proposed Wage Index for Rural Areas

- 1 **Impacts-** Governmental hospitals receive a **14%** increase and all other classifications of facilities have no significant impact.

- 2 **Future Updates-** The first update would be effective for cost reporting periods beginning on or after July 1, 2005. We will update the Federal payment rate using the excluded hospital with capital market basket and apply the most recent hospital wage index that is budget neutral to the wage index it replaces. We will also adjust the outlier fixed dollar loss threshold. There will not be any update for adjustment factors until we have analyzed a complete year of data under the IPF PPS, i.e., no earlier than July 1, 2007 update.

- 3 **Patient Classification System-** Patient case mix tool developed by the University of Michigan is 2 pages long with 37 questions to be used for future refinement of the IPF PPS. (Addendum C of NPRM).

- 1 **System Changes-** Use the existing inpatient DRG GROUPER and develop new

PRICER to apply IPF PPS adjustments. No changes required for IPF claims submission or current coding requirements.