

Washington Bulletin

Health care legislative and regulatory update



By Larry Goldberg
Senior adviser for health care
legislative and regulatory matters

May 6, 2010

CMS Issues Inpatient Psychiatric PPS Notice for RY 2011; Market Basket Increase Is 2.4 Percent; Reduced 0.25 Percent per Health Care Reform Legislation

The Centers for Medicare and Medicaid Services (CMS) have issued a notice updating the prospective payment system (PPS) for Medicare Inpatient Psychiatric Facilities (IPFs). The changes are applicable to IPF discharges occurring during rate year (RY) 2011 beginning July 1, 2010 through June 30, 2011.

A copy of the notice is available on the April 30th [Federal Register](#).

Comment

For the most part, CMS is continuing its methodologies and assumptions in making updates from the RY 2010 to the RY 2011 values based on newer data.

Updates to the IPF PPS Rate for RY 2011

Section 1886(s)(3)(A) of the Social Security Act, as added by the recent health care reform legislation, requires the application of an “Other Adjustment” that reduces the update to the IPF PPS base rate for the rate year beginning in CY 2010 (effective April 1, 2010), CMS says it is reducing the update to the IPF PPS base rate by 0.25 percent for RY 2011. Applying the market basket increase of 2.4 percent, with the “Other Adjustment” of -0.25 percent, and the wage index budget neutrality factor of 0.9999, to the RY 2010 federal per diem base rate of \$651.76 yields a Federal per diem RY 2011 base rate of **\$665.71** ($\$651.76 * (1.024 - 0.0025) * 0.9999 = \665.71).

CMS has not announced the revised CY 2010 rate (April 1-June 30, 2010), but if logic follows the math above, the amount should be ($\$651.76 * 0.9975 =$) \$650.13.

The Electroconvulsive Therapy Rate (ECT) rate will be **\$286.60**. The current RY 2010 amount is \$280.60.

The labor-related share of the federal standardized payment amount, that is, the portion to be adjusted by the area wage index values in RY 2011 will be **75.400** percent. The current RY 2010 percentage is 75.889 percent.

The federal per diem base rate is used as the standard payment per day under the IPF PPS and is adjusted by the applicable wage index factor and by patient-level and facility-level adjustments that are applicable to the IPF stay. Those adjustments are as follows:

Per Diem Rates

Federal Per Diem Base Rate	\$665.71
Labor Share (0.75400)	\$501.95
Non-Labor Share (0.24600)	\$163.76

Update of the IPF PPS Adjustment Factors

The IPF PPS utilizes a set of patient-level and facility adjustments. The RY 2011 adjustments are provided in the following tables:

Patient-Level Adjustments:

1. Adjustment for MS-DRG Assignment

The tables below list the FY 2010 new and invalid ICD-9-CM diagnosis codes that group to one of the 17 MS-DRGs for which the IPF PPS provides an adjustment. These tables are only a listing of FY 2010 changes and do not reflect all of the currently valid and applicable ICD-9-CM codes classified in the MS-DRGs. When coded as a principal code or diagnosis, these codes receive the correlating MS-DRG adjustment.

FY 2010 New Diagnosis Codes

Diagnosis Code	Description	MS-DRG
438.13	Late effects of cerebrovascular disease, dysarthria	056, 057
438.14	Late effects of cerebrovascular disease, fluency disorder	056, 057
799.21	Nervousness	880
799.22	Irritability	880
799.23	Impulsiveness	882
799.24	Emotional lability	883
799.25	Demoralization and apathy	880
799.29	Other signs and symptoms involving emotional state	880

FY 2010 Invalid Diagnosis Codes

Diagnosis Code	Description	MS-DRG
799.2	Nervousness	880

The MS-DRG adjustment factors (as shown in the table below) will be paid for discharges occurring in RY 2011.

RY 2011 MS-DRGs Applicable for the Principal Diagnosis Adjustment

MS-DRG	MS-DRG Descriptions	Adjustment Factor
056	Degenerative nervous system disorders w MCC	1.05
057	Degenerative nervous system disorders w/o MCC	1.05
080	Nontraumatic stupor & coma w MCC	1.07
081	Nontraumatic stupor & coma w/o MCC	1.07
876	O.R. procedure w principal diagnoses of mental illness	1.22
880	Acute adjustment reaction & psychosocial dysfunction	1.05
881	Depressive neuroses	0.99
882	Neuroses except depressive	1.02
883	Disorders of personality & impulse control	1.02
884	Organic disturbances & mental retardation	1.03
885	Psychoses	1.00
886	Behavioral & developmental disorders	0.99
887	Other mental disorder diagnoses	0.92
894	Alcohol/drug abuse or dependence, left AMA	0.97
895	Alcohol/drug abuse or dependence w rehabilitation therapy	1.02
896	Alcohol/drug abuse or dependence w/o rehabilitation therapy w MCC	0.88
897	Alcohol/drug abuse or dependence w/o rehabilitation therapy w/o MCC	0.88

2. Payment for Comorbid Conditions

The intent of the comorbidity adjustment is to recognize the increased costs associated with comorbid conditions by providing additional payments for certain concurrent medical or psychiatric conditions that are expensive to treat.

The table below lists the FY 2010 new ICD diagnosis codes that impact the comorbidity adjustments under the IPF PPS. The table is not a list of all currently valid ICD codes applicable for the IPF PPS comorbidity adjustments.

FY 2010 New ICD Codes Applicable for the Comorbidity Adjustment

Diagnosis Code	Description	Comorbidity Category
209.31	Merkel cell carcinoma of the face	Oncology Treatment
209.32	Merkel cell carcinoma of the scalp and neck	Oncology Treatment
209.33	Merkel cell carcinoma of the upper limb	Oncology Treatment
209.34	Merkel cell carcinoma of the lower limb	Oncology Treatment
209.35	Merkel cell carcinoma of the trunk	Oncology Treatment
209.36	Merkel cell carcinoma of other sites	Oncology Treatment
209.70	Secondary neuroendocrine tumor, unspecified site	Oncology Treatment
209.71	Secondary neuroendocrine tumor of distant lymph nodes	Oncology Treatment
209.72	Secondary neuroendocrine tumor of liver	Oncology Treatment
209.73	Secondary neuroendocrine tumor of bone	Oncology Treatment
209.74	Secondary neuroendocrine tumor of peritoneum	Oncology Treatment
209.75	Secondary Merkel cell carcinoma	Oncology Treatment
209.79	Secondary neuroendocrine tumor of other sites	Oncology Treatment
239.81	Neoplasms of unspecified nature, retina and choroid	Oncology Treatment
239.89	Neoplasms of unspecified nature, other specified sites	Oncology Treatment
969.00	Poisoning by antidepressant, unspecified	Poisoning
969.01	Poisoning by monoamine oxidase inhibitors	Poisoning
969.02	Poisoning by selective serotonin and norepinephrine reuptake inhibitors	Poisoning
969.03	Poisoning by selective serotonin reuptake inhibitors	Poisoning
969.04	Poisoning by tetracyclic antidepressants	Poisoning
969.05	Poisoning by tricyclic antidepressants	Poisoning
969.09	Poisoning by other antidepressants	Poisoning
969.70	Poisoning by psychostimulant, unspecified	Poisoning
969.71	Poisoning by caffeine	Poisoning
969.72	Poisoning by amphetamines	Poisoning
969.73	Poisoning by methylphenidate	Poisoning
969.79	Poisoning by other psychostimulants	Poisoning

The following table lists the FY 2010 revised ICD diagnosis codes that are applicable for the comorbidity adjustment.

FY 2010 Revised ICD Codes Applicable for the Comorbidity Adjustment

Diagnosis Code	Description	Comorbidity Category
584.5	Acute kidney failure with necrosis lesion of tubular	Renal Failure, Acute
584.6	Acute kidney failure with necrosis lesion of renal cortical	Renal Failure, Acute
584.7	Acute kidney failure with[papillary] necrosis lesion of renal medullary	Renal Failure, Acute
584.8	Acute kidney failure with other specified pathological lesion in kidney	Renal Failure, Acute
584.9	Acute kidney failure, unspecified	Renal Failure, Acute
639.3	Kidney failure following abortion and ectopic and molar pregnancies	Renal Failure, Acute
669.32	Acute kidney failure following labor and delivery, delivered, with mention of postpartum complication	Renal Failure, Acute
669.34	Acute kidney failure following labor and delivery, postpartum condition or complication	Renal Failure, Acute

The following table lists the invalid FY 2010 ICD-9-CM codes no longer applicable for the comorbidity adjustment.

FY 2010 Invalid ICD Codes No Longer Applicable for the Comorbidity Adjustment

Diagnosis Code	Description	Comorbidity Category
239.8	Neoplasm of unspecified nature of other specified sites	Oncology Treatment
969.0	Poisoning by antidepressants	Poisoning
969.7	Poisoning by psychostimulants	Poisoning

The 17 comorbidity categories, for which CMS is providing an adjustment, their respective codes and their respective adjustment factors, are listed below.

FY 2011 Comorbidity Adjustments

Description of Comorbidity	ICD-9CM Code	Adjustment Factor
Developmental Disabilities	317, 3180, 3181, 3182, and 319	1.04
Coagulation Factor Deficits	2860 through 2864	1.13
Tracheostomy	51900 through 51909 and V440	1.06
Renal Failure, Acute	5845 through 5849, 63630, 63631, 63632, 63730, 63731, 63732, 6383, 6393, 66932, 66934, 9585	1.11
Renal Failure, Chronic	40301, 40311, 40391, 40402, 40412, 40413, 40492, 40493, 5853, 5854, 5855, 5856, 5859, 586, V4511, V4512, V560, V561, and V562	1.11
Oncology Treatment	1400 through 2399 with a radiation therapy code 92.21-92.29 or chemotherapy code 99.25	1.07
Uncontrolled Diabetes-Mellitus with or without complications	25002, 25003, 25012, 25013, 25022, 25023, 25032, 25033, 25042, 25043, 25052, 25053, 25062, 25063, 25072, 25073, 25082, 25083, 25092, and 25093	1.05
Severe Protein Calorie Malnutrition	260 through 262	1.13
Eating and Conduct Disorders	3071, 30750, 31203, 31233, and 31234	1.12
Infectious Disease	01000 through 04110, 042, 04500 through 05319, 05440 through 05449, 0550 through 0770, 0782 through 07889, and 07950 through 07959	1.07
Drug and/or Alcohol Induced Mental Disorders	2910, 2920, 29212, 2922, 30300, and 30400	1.03
Cardiac Conditions	3910, 3911, 3912, 40201, 40403, 4160, 4210, 4211, and 4219	1.11
Gangrene	44024 and 7854	1.10
Chronic Obstructive Pulmonary Disease	49121, 4941, 5100, 51883, 51884, V4611, V4612, V4613 and V4614	1.12
Artificial Openings -Digestive and Urinary	56960 through 56969, 9975, and V441 through V446	1.08
Severe Musculoskeletal and Connective Tissue Diseases	6960, 7100, 73000 through 73009, 73010 through 73019, and 73020 through 73029	1.09
Poisoning	96500 through 96509, 9654, 9670 through 9699, 9770, 9800 through 9809, 9830 through 9839, 986, 9890 through 9897	1.11

3. Patient Age Adjustments

For RY 2011, CMS is continuing to use the patient age adjustments currently in effect and as shown below.

Age	Adjustment Factor
Under 45	1.00
45 and under 50	1.01
50 and under 55	1.02
55 and under 60	1.04
60 and under 65	1.07
65 and under 70	1.10
70 and under 75	1.13
75 and under 80	1.15
80 and over	1.17

4. Variable Per Diem Adjustments

For RY 2011, CMS is continuing to use the variable per diem adjustment factors currently in effect as shown in the table below.

Day-Of-Stay	Adjustment Factor
Day 1- IPF Without a Qualified ED	1.19
Day 1- IPF With a Qualified ED	1.31
Day 2	1.12
Day 3	1.08
Day 4	1.05
Day 5	1.04
Day 6	1.02
Day 7	1.01
Day 8	1.01
Day 9	1.00
Day 10	1.00
Day 11	0.99
Day 12	0.99
Day 13	0.99
Day 14	0.99
Day 15	0.98
Day 16	0.97
Day 17	0.97
Day 18	0.96
Day 19	0.95
Day 20	0.95
Day 21	0.95
After Day 21	0.92

Facility-Level Adjustments

The IPF PPS includes facility-level adjustments for the wage index, IPFs located in rural areas, teaching IPFs, cost of living adjustments for IPFs located in Alaska and Hawaii, and IPFs with a qualifying emergency department (ED).

1. Wage Index Adjustment

For RY 2011, CMS is applying the most recent hospital wage index (the area wage index used by hospitals in FY 2010), and applying an adjustment in accordance with the agency's budget neutrality policy. The wage indexes applicable for RY 2011 appear in Table 1 and Table 2 in the Addendum of the notice.

The wage index budget neutrality factor for RY 2011 is 0.9999.

2. Adjustment for Rural Location

For RY 2011, CMS is applying a 17 percent payment adjustment for IPFs located in a rural area.

3. Teaching Adjustment

For RY 2011, CMS is retaining the coefficient value of 0.5150 for the teaching status adjustment to the federal per diem base rate.

4. Cost of Living Adjustment for IPFs Located in Alaska and Hawaii

For RY 2011, IPFs located in Alaska and Hawaii will receive the updated COLA factors based on the COLA area in which the IPF is located and as shown in the table below:

	Location	COLA
Alaska	Anchorage	1.23
	Fairbanks	1.23
	Juneau	1.23
	Rest of Alaska	1.25
Hawaii	Honolulu County	1.25
	Hawaii County	1.18
	Kauai County	1.25
	Maui County	1.25
	Kalawao County	1.25

5. Adjustment for IPFs with a Qualifying Emergency Department (ED)

The ED adjustment is incorporated into the variable per diem adjustment for the first day of each stay for IPFs with a qualifying ED. That is, IPFs with a qualifying admission from an ED receive an adjustment factor of 1.31 as the variable per diem adjustment for day 1 of each stay. If an IPF does not have a qualifying ED, it receives an adjustment factor of 1.19 as the variable per diem adjustment for day 1 of each patient stay.

Outlier Payments

For RY 2011, the IPF PPS outlier threshold will be **\$6,372**. The current amount is \$6,565.

WashingtonBulletin is published by Grant Thornton LLP. It is not intended to answer specific questions or suggest suitability of action in a particular case. For additional information on the issues discussed in the newsletter, consult your Grant Thornton client-service partner.

The people in the independent firms of Grant Thornton International Ltd provide personalized attention and the highest quality service to public and private clients in more than 100 countries. Grant Thornton LLP is the U.S. member firm of Grant Thornton International Ltd, one of the six global audit, tax and advisory organizations. Grant Thornton International Ltd and its member firms are not a worldwide partnership, as each member firm is a separate and distinct legal entity. In the U.S., visit Grant Thornton LLP at www.GrantThornton.com.