

CMS Manual System	Department of Health & Human Services (DHHS)
Pub 100-04 Medicare Claims Processing	Centers for Medicare & Medicaid Services (CMS)
Transmittal 11039	Date: October 5, 2021
	Change Request 12417

**Transmittal 11019, dated September 27, 2021, is being rescinded and replaced by Transmittal 11039, dated, October 5, 2021 to correct the outlier fixed dollar loss threshold amount, as discussed in the correction notice entitled "Medicare Program; FY 2022 Inpatient Psychiatric Facilities Prospective Payment System and Quality Reporting Updates for Fiscal Year Beginning October 1, 2021 (FY 2022); Correction", which was displayed in the Federal Register on September 30, 2021. All other information remains the same.**

**SUBJECT: Inpatient Psychiatric Facilities Prospective Payment System (IPF PPS) Updates for Fiscal Year (FY) 2022**

**I. SUMMARY OF CHANGES:** This Change Request (CR) identifies changes that are required as part of the annual IPF PPS update established in IPF Final Rule entitled “**Medicare Program; FY 2022 Inpatient Psychiatric Facilities Prospective Payment System (IPF PPS) and Quality Reporting Updates for Fiscal Year Beginning October 1, 2021 (FY 2022)**”. These changes are applicable to discharges occurring from October 1, 2021 through September 30, 2022 (FY 2022). This Recurring CR applies to the Claims Processing Manual (CLM), chapter 3, section 190.4.3 and section 190.6.5.

**EFFECTIVE DATE: October 1, 2021**

*\*Unless otherwise specified, the effective date is the date of service.*

**IMPLEMENTATION DATE: October 4, 2021**

*Disclaimer for manual changes only: The revision date and transmittal number apply only to red italicized material. Any other material was previously published and remains unchanged. However, if this revision contains a table of contents, you will receive the new/revised information only, and not the entire table of contents.*

**II. CHANGES IN MANUAL INSTRUCTIONS:** (N/A if manual is not updated)

R=REVISED, N=NEW, D=DELETED-*Only One Per Row.*

R/N/D	CHAPTER / SECTION / SUBSECTION / TITLE
R	3/190/4.3/Annual Update
R	3/190/6.5/Cost-of-Living Adjustment (COLA) for Alaska and Hawaii

**III. FUNDING:**

**For Medicare Administrative Contractors (MACs):**

The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the MAC Statement of Work. The contractor is not obligated to incur costs in excess of the amounts allotted in your contract unless and until specifically authorized by the Contracting Officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the Contracting Officer, in writing or by e-mail, and request formal directions

regarding continued performance requirements.

**IV. ATTACHMENTS:**  
**Recurring Update Notification**

# Attachment - Recurring Update Notification

Pub. 100-04	Transmittal: 11039	Date: October 5, 2021	Change Request: 12417
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## **I. GENERAL INFORMATION**

**A. Background:** On November 15, 2004, the Centers for Medicare & Medicaid Services (CMS) published in the *Federal Register* a final rule that established the Prospective Payment System (PPS) for Inpatient Psychiatric Facilities (IPF) under the Medicare program in accordance with provisions of Section 124 of Public Law 106-113, the Medicare, Medicaid and SCHIP Balanced Budget Refinement Act of 1999 (BBRA). Payments to IPFs under the IPF PPS are based on a federal per diem base rate which includes both inpatient operating and capital-related costs (including routine and ancillary services), but excludes certain pass-through costs (i.e., bad debts, and graduate medical education). CMS is required to make updates to this IPF PPS annually.

This Change Request (CR) identifies changes that are required as part of the annual IPF PPS update established in IPF Final Rule entitled "**Medicare Program; FY 2022 Inpatient Psychiatric Facilities Prospective Payment System (IPF PPS) and Quality Reporting Updates for Fiscal Year Beginning October 1, 2021 (FY 2022)**". These changes are applicable to discharges occurring from October 1, 2021 through September 30, 2022 (FY 2022).

## **B. Policy: Fiscal Year 2022 Update to the IPF PPS**

### **1. Market Basket Update:**

Since the IPF PPS inception, the Office of the Actuary periodically revises and rebases the IPF market basket to reflect more recent data on IPF cost structures. CMS last rebased and revised the market basket applicable to IPFs in the FY 2020 IPF PPS final rule, when CMS adopted a 2016-based IPF-specific market basket. For FY 2022, CMS is using the 2016-based IPF market basket to update the IPF PPS payments (that is, the Federal per diem base rate and Electroconvulsive Therapy (ECT) payment per treatment). The 2016-based IPF market basket update for FY 2022 is 2.7 percent. However, this 2.7 percent is subject to one reduction required by the Social Security Act (the Act), as described below.

Section 1886(s)(2)(A)(i) of the Act requires the application of the "productivity adjustment" described in section 1886(b)(3)(B)(xi)(II) of the Act to the IPF PPS for the RY beginning in 2012 (that is, an RY that coincides with an FY), and each subsequent RY. For the FY beginning in 2020 (that is, FY 2021), the reduction is 0.7 percentage point. CMS implemented that provision in the FY 2021 IPF PPS Final Rule.

Therefore, CMS updated the IPF PPS base rate for FY 2022 by applying the adjusted market basket update of 2.0 percent (which includes the 2016-based IPF market basket update of 2.7 percent and a productivity adjustment reduction of 0.7 percentage point) and the wage index budget neutrality factor of 1.0017 to the FY 2021 Federal per diem base rate of \$815.22, yielding an FY 2022 Federal per diem base rate of \$832.94.

Similarly, applying the adjusted market basket update of 2.0 percent and the wage index budget neutrality factor of 1.0017 to the FY 2021 ECT payment per treatment of \$350.97 yields an ECT payment per treatment of \$358.60 for FY 2022.

## **2. FY 2021 Wage Index Update**

CMS continued its policy from the prior fiscal year of updating the IPF PPS wage index for FY 2022 with the concurrent wage data from the FY 2022 inpatient prospective payment system wage index before reclassifications and other adjustments are considered.

The FY 2022 final IPF PPS wage index is available online at: <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientPsychFacilPPS/WageIndex.html>.

## **3. Inpatient Psychiatric Facilities Quality Reporting Program (IPFQR)**

Section 1886(s)(4) of the Act requires the establishment of a quality data reporting program for the IPF PPS beginning in FY 2014. CMS finalized new requirements for quality reporting for IPFs in the “Hospital Inpatient Prospective Payment System for Acute Care Hospitals and the Long Term Care Hospital Prospective Payment System and Fiscal Year 2013 Rates” Final Rule (August 31, 2012) (77 FR 53258, 53644 through 53360). Section 1886(s)(4)(A)(i) of the Act requires that, for FY 2014 and each subsequent fiscal year, the Secretary shall reduce any annual update to a standard Federal rate for discharges occurring during the FY by two percentage points for any IPF that does not comply with the quality data submission requirements with respect to an applicable year. Therefore, a two percentage point reduction is applied when calculating the Federal per diem base rate and the ECT payment per treatment as follows:

- The adjusted market basket update of 2.0 percent (which includes the 2016-based IPF market basket update of 2.7 percent and a required productivity adjustment reduction of 0.7 percentage point) is reduced by 2.0 percentage points, for an update of 0 percent for IPFs that failed to meet quality reporting requirements.
- For IPFs that failed to submit quality reporting data under the IPFQR program for FY 2022, the 0 percent update and the wage index budget neutrality factor of 1.0017 are applied to the FY 2021 Federal per diem base rate of \$799.27, yielding a Federal per diem base rate of \$816.61.
- Similarly, for IPFs that failed to submit quality reporting data under the IPFQR program for FY 2022, the 0 percent update and the wage index budget neutrality factor of 1.0017 are applied to the FY 2021 ECT payment per treatment of \$344.10, yielding a per treatment ECT payment of \$351.57 for FY 2022.

## **4. PRICER Updates: IPF PPS Fiscal Year 2022 (October 1, 2021 – September 30, 2022):**

- The Federal per diem base rate is \$832.94 for IPFs that complied with quality data submission requirements.
- The Federal per diem base rate is \$816.61, when applying the two percentage point reduction, for IPFs that failed to comply with quality data submission requirements.
- The fixed dollar loss threshold amount is \$16,040.
- The IPF PPS wage index is based on the FY 2022 pre-floor, pre-reclassified acute care hospital wage index.
- The labor-related share is 77.2 percent.
- The non-labor related share is 22.8 percent.

- The ECT payment per treatment is \$358.60 for IPFs that complied with quality data submission requirements.
- The ECT payment per treatment is \$351.57 when applying the two percentage point reduction, for IPFs that failed to comply with quality data submission requirements.

## 5. Provider Specific File (PSF) Updates

For Fiscal Year (FY) 2021, a five percent cap was adopted and applied to all IPF providers on any decrease to a provider's FY 2021 final wage index from that provider's final wage index of the prior fiscal year (FY 2020). Effective FY 2022 there will be no cap applied to IPF providers on any decrease to a provider's FY 2022 final wage index. Medicare Administrative Contractors must update the following fields in the PSF for all IPF providers:

- **Supplemental Wage Index** - used for the prior fiscal year wage index value
- **Supplemental Wage Index Indicator** - used to indicate the value in the "Supplemental Wage Index" field is the prior fiscal year wage index.

Medicare Administrative Contractors must update the "Supplemental Wage Index" and "Supplemental Wage Index Indicator" field values so that these fields are **blank for all IPF providers**. Medicare Administrative Contractors must also ensure that new providers or records added to the PSF for FY 2022 contain **blank values** in these fields.

## 6. The National Urban and Rural Cost to Charge Ratios for the IPF PPS Fiscal Year 2022

- **See Attachment One:** "National Cost to Charge Ratios (CCRs)"

## 7. ICD-10 CM/PCS Updates

For FY 2022, the IPF PPS adjustment factors are unchanged from those used in FY 2021. However, CMS updated the ICD-10-CM/PCS code set, effective October 1, 2021. These updates affect the ICD-10-CM/PCS codes that underlie the IPF PPS MS-DRGs and the IPF PPS comorbidity categories. The updated FY 2022 MS-DRG code lists are available on the IPPS website at <https://www.cms.gov/medicare/medicare-fee-for-service-payment/acuteinpatientpps>, and the updated FY 2022 IPF PPS comorbidity categories are available at <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientPsychFacilPPS/tools>

There were no changes for FY 2022 to the IPF Electroconvulsive Therapy procedure code list.

## 8. COLA Adjustment

The IPF PPS Cost of Living Adjustment (COLA) factors list for FY 2022 was updated from FY 2021.

- **See Attachment One:** "Cost of Living Adjustments (COLAs)."

## 9. Rural Adjustment

For FY 2022, IPFs designated as "rural" continue to receive a 17 percent rural adjustment.

## II. BUSINESS REQUIREMENTS TABLE

*"Shall" denotes a mandatory requirement, and "should" denotes an optional requirement.*

Number	Requirement	Responsibility								
		A/B MAC			D M E M A C	Shared-System Maintainers				Other
		A	B	H H H		F I S S	M C S	V M S	C W F	
12417.1	FISS shall install and pay claims with the FY 2022 IPF PPS Pricer for discharges occurring on or after October 1, 2021.					X				
12417.2	Medicare contractors shall perform the updates as outlined in the policy section, item 5 “Provider Specific File (PSF) Updates” of this notification.	X								
12417.2.1	Medicare contractors shall update ALL relevant portions of the PSF in accordance with this CR by October 1, 2021.	X								
12417.3	As specified in publication 100-04, Medicare Claims Processing Manual, chapter 3, section 20.2.3.1, Medicare contractors shall maintain the accuracy of the data and update the PSF file as changes occur in data element values.	X								
12417.4	CMS shall ensure that the IPF PPS Pricer includes all FY 2022 IPF PPS updates.								CMS	

### III. PROVIDER EDUCATION TABLE

Number	Requirement	Responsibility				
		A/B MAC			D M E M A C	C E D I
		A	B	H H H		
12417.5	MLN Article: CMS will make available an MLN Matters provider education article that will be marketed through the MLN Connects weekly newsletter shortly after the CR is released. MACs shall follow IOM Pub. No. 100-09 Chapter 6, Section 50.2.4.1, instructions for distributing MLN Connects information to providers, posting the article or a direct link to the article on your website, and including the article or a direct link to the article in your bulletin or newsletter. You may supplement MLN Matters articles with localized information benefiting your provider community in billing and administering the Medicare program correctly. Subscribe to the “MLN Matters” listserv to get article release notifications, or review them in the MLN Connects weekly newsletter.	X				

### IV. SUPPORTING INFORMATION

**Section A: Recommendations and supporting information associated with listed requirements: N/A**

*"Should" denotes a recommendation.*

<b>X-Ref Requirement Number</b>	<b>Recommendations or other supporting information:</b>

**Section B: All other recommendations and supporting information: N/A**

**V. CONTACTS**

**Pre-Implementation Contact(s):** Nicolas Brock, 410-786-5148 or nicolas.brock@cms.hhs.gov , Sherlene Jacques, 410-786-0510 or sherlene.jacques@cms.hhs.gov

**Post-Implementation Contact(s):** Contact your Contracting Officer's Representative (COR).

**VI. FUNDING**

**Section A: For Medicare Administrative Contractors (MACs):**

The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the MAC Statement of Work. The contractor is not obligated to incur costs in excess of the amounts allotted in your contract unless and until specifically authorized by the Contracting Officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the Contracting Officer, in writing or by e-mail, and request formal directions regarding continued performance requirements.

**ATTACHMENTS: 1**

### **190.4.3 - Annual Update**

*(Rev. 11039; Issued: 10-05-21; Effective: 10-01-21; Implementation: 10-04-21)*

Prior to rate year (RY) 2012, the Inpatient Psychiatric Facility Prospective Payment System (IPF PPS) was on a July 1<sup>st</sup> - June 30<sup>th</sup> annual update cycle. The first update to the IPF PPS occurred on July 1, 2006 and every July 1<sup>st</sup> thereafter.

Effective with RY 2012, the IPF PPS payment rate update period switched from a rate year that began on July 1<sup>st</sup> ending on June 30<sup>th</sup> to a period that coincides with a fiscal year (FY). To transition from a RY to a FY, the IPF PPS RY 2012 covered the 15 month period from July 1<sup>st</sup> -September 30<sup>th</sup>. This change to the payment update period will allow one consolidated annual update to both the rates and the ICD-10-CM/PCS coding changes (MS-DRG, comorbidities, and code first). Coding and rate changes will continue to be effective October 1<sup>st</sup>-September 30<sup>th</sup> of each year thereafter.

In accordance with [42 CFR 412.428](#), the annual update includes revisions to the Federal per diem base rate, the hospital wage index, ICD-10-CM coding and Diagnosis-Related Groups (DRGs) classification changes discussed in the annual update to the hospital IPPS regulations, the electroconvulsive therapy (ECT) payment per treatment, the fixed dollar loss threshold amount and the national urban and rural cost-to-charge medians and ceilings.

Below are the Change Requests (CRs) for the applicable Rate Years (RYs) and Fiscal Years (FYs), which are issued via a Recurring Update Notification.

RY 2009 - CR 6077

RY 2010 - CR 6461

RY 2011 - CR 6986

RY 2012 - CR 7367

FY 2013 - CR 8000

FY 2014 - CR 8395

FY 2015 - CR 8889

FY 2016 - CR 9305

FY 2017 - CR 9732

FY 2018 - CR 10214

FY 2019 - CR 10880

FY 2020 - CR 11420

FY 2021 - CR 11949

*FY 2022- CR 12417*

Change Requests can be accessed through the following CMS Transmittals Website:

<http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientPsychFacilPPS/Inpatient-Psychiatric-Facility-PPS-Transmittals.html>

### **190.6.5 - Cost-of-Living Adjustment (COLA) for Alaska and Hawaii**

*(Rev. 11039; Issued: 10-05-21; Effective: 10-01-21; Implementation: 10-04-21)*

The IPF PPS includes a payment adjustment for IPFs located in Alaska and Hawaii based upon the area in which the IPF is located. An adjustment for IPFs located in Alaska and Hawaii is made by multiplying the non-labor related share of the Federal per diem base rate and ECT rate by the applicable COLA factor. The CMS notes that the COLA areas for Alaska are not defined by county as are the COLA areas for Hawaii. In 5 CFR §591.207, the OPM established the following COLA areas:

- (a) City of Anchorage, and 80-kilometer (50-mile) radius by road, as measured from the Federal courthouse;
- (b) City of Fairbanks, and 80-kilometer (50-mile) radius by road, as measured from the Federal courthouse;
- (c) City of Juneau, and 80-kilometer (50-mile) radius by road, as measured from the Federal courthouse;



(d) Rest of the State of Alaska.

In FY 2018, *CMS* updated the IPF COLA amounts; these updated amounts will remain in effect for FY 2018 through FY 2021.

*In FY 2022, CMS updated the IPF COLA amounts; these updated amounts will remain in effect for FY 2022 through FY 2025. For comparison purposes, CMS is showing the COLA factors effective for FY 2018 through FY 2021 in the first column and in the second column COLA factors effective for FY22 through FY25.*

***Comparison of IPF PPS Cost-of-Living Adjustment Factors: IPFs Located in Alaska and Hawaii***

<i>Area</i>	<i>FY 2018 through FY 2021</i>	<i>FY 2022 through FY 2025</i>
<i>Alaska:</i>		
<i>City of Anchorage and 80-kilometer (50-mile) radius by road</i>	<i>1.25</i>	<i>1.22</i>
<i>City of Fairbanks and 80-kilometer (50-mile) radius by road</i>	<i>1.25</i>	<i>1.22</i>
<i>City of Juneau and 80-kilometer (50-mile) radius by road</i>	<i>1.25</i>	<i>1.22</i>
<i>Rest of Alaska</i>	<i>1.25</i>	<i>1.24</i>
<i>Hawaii:</i>		
<i>City and County of Honolulu</i>	<i>1.25</i>	<i>1.25</i>
<i>County of Hawaii</i>	<i>1.21</i>	<i>1.22</i>
<i>County of Kauai</i>	<i>1.25</i>	<i>1.25</i>
<i>County of Maui and County of Kalawao</i>	<i>1.25</i>	<i>1.25</i>

**Addendum A**  
**FY 2022 IPF PPS Final Rates and Adjustment Factors**

**Per Diem Rate:**

Federal Per Diem Base Rate	\$832.94
Labor Share (77.2%)	\$643.03
Non-Labor Share (22.8%)	\$189.91

**Per Diem Rate Applying the 2 Percentage Point Reduction**

Federal Per Diem Base Rate	\$816.61
Labor Share (77.2%)	\$630.42
Non-Labor Share (22.8%)	\$186.19

**Fixed Dollar Loss Threshold Amount:**

\$16,040

**Wage Index Budget-Neutrality Factor:**

1.0017

**Facility Adjustments:**

Rural Adjustment Factor	1.17
Teaching Adjustment Factor	0.5150
Wage Index	FY 2022 Pre-floor, Pre-reclassified IPFS Hospital Wage Index

**Cost of Living Adjustments (COLAs):**

Area	Cost of Living Adjustment Factor
<b>Alaska:</b>	
City of Anchorage and 80-kilometer (50-mile) radius by road	1.22
City of Fairbanks and 80-kilometer (50-mile) radius by road	1.22
City of Juneau and 80-kilometer (50-mile) radius by road	1.22
Rest of Alaska	1.24
<b>Hawaii:</b>	
City and County of Honolulu	1.25
County of Hawaii	1.22
County of Kauai	1.25
County of Maui and County of Kalawao	1.25

**Patient Adjustments:**

ECT – Per Treatment	\$358.60
ECT – Per Treatment Applying the 2 Percentage Point Reduction	\$351.57

**Variable Per Diem Adjustments:**

	<b>Adjustment Factor</b>
Day 1 -- Facility Without a Qualifying Emergency Department	1.19
Day 1 -- Facility With a Qualifying Emergency Department	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

**Age Adjustments:**

Age (in years)	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

**DRG Adjustments:**

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

**Comorbidity Adjustments:**

<b>Comorbidity</b>	<b>Adjustment Factor</b>
Developmental Disabilities	1.04
Coagulation Factor Deficit	1.13
Tracheostomy	1.06
Eating and Conduct Disorders	1.12
Infectious Diseases	1.07
Renal Failure, Acute	1.11
Renal Failure, Chronic	1.11
Oncology Treatment	1.07
Uncontrolled Diabetes Mellitus	1.05
Severe Protein Malnutrition	1.13
Drug/Alcohol Induced Mental Disorders	1.03
Cardiac Conditions	1.11
Gangrene	1.10
Chronic Obstructive Pulmonary Disease	1.12
Artificial Openings – Digestive & Urinary	1.08
Severe Musculoskeletal & Connective Tissue Diseases	1.09
Poisoning	1.11

**National Median and Ceiling Cost-to-Charge Ratios (CCRs)**

<b>CCRs</b>	<b>Rural</b>	<b>Urban</b>
National Median	0.5720	0.4200
National Ceiling	2.0261	1.6879