



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

MLN Matters Number: MM12417 **Revised**

Related Change Request (CR) Number: 12417

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Note: We revised this Article due to a revised CR 12417, which corrected the fixed dollar loss threshold amount to \$16,040. We changed the CR release date, transmittal number, and the web address of the CR. We show the revised fixed dollar loss threshold amount in dark red font on page 3. All other information remains the same.

Provider Type Affected

This MLN Matters Article is for IPFs submitting claims to Medicare Administrative Contractors (MACs) for services they provide to Medicare patients.

Provider Action Needed

Make sure that your billing staff knows about the changes that apply to discharges occurring from October 1, 2021, through September 30, 2022.

Background

CMS must make annual updates to the IPF PPS. This Article discusses the changes for FY 2022. We base the changes on the 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 \(FY 2022\)](#).

Under [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 Inpatient Prospective Payment System (IPPS) regulations
- Electroconvulsive therapy (ECT) payment per treatment
- The fixed dollar loss threshold amount
- The national urban and rural cost-to-charge medians and ceilings.

Key Changes for FY 2022

1. Market Basket Update:

We last rebased and revised the market basket applicable to IPFs in the FY 2020 IPF PPS update, when we adopted a 2016-based IPF-specific market basket. For FY 2022, we're using the 2016-based IPF market basket to update the IPF PPS payments (that is, the Federal per diem base rate and ECT payment per treatment). The 2016-based IPF market basket update for FY 2022 is 2.7%.

[Section 1886\(s\)\(2\)\(A\)\(i\) of the Social Security Act](#) (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 Rate Year (RY) beginning in 2012 (the RY is the same as FY), and each subsequent RY. For the FY beginning in 2020 (that is, FY 2021), the reduction is 0.7%.

We updated the IPF PPS base rate for FY 2022 by applying the adjusted market basket update of 2.0% (which includes the 2016-based IPF market basket update of 2.7% and a productivity adjustment reduction of 0.7%) 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% 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

We continue our policy from the prior FY of updating the IPF PPS wage index for FY 2022 with the up-to-date wage data from the FY 2022 IPPS wage index before considering reclassifications and other adjustments. See the [FY 2022 final IPF PPS wage index](#).

3. IPF Quality Reporting (IPFQR) Program

[Section 1886\(s\)\(4\)\(A\)\(i\) of the Act](#) requires that, for FY 2014 and each subsequent fiscal year, the Secretary must reduce any annual update to a standard Federal rate for discharges occurring during the FY by 2.0 percentage points for any IPF that doesn't follow the quality data submission requirements for an applicable year. So, we apply a 2.0 percentage point reduction when calculating the Federal per diem base rate and the ECT payment per treatment as follows:

- We reduce the adjusted market basket update of 2.0% (which includes the 2016-based IPF market basket update of 2.7% and a needed productivity adjustment reduction of 0.7%) by 2.0 percentage points, for an update of 0% for IPFs that didn't meet quality reporting requirements.
- For IPFs that didn't send quality reporting data under the IPFQR Program for FY 2022, we apply the 0% update and the wage index budget neutrality factor of 1.0017 to the FY 2021 Federal per diem base rate of \$799.27, yielding a Federal per diem base rate of \$816.61.

- For IPFs that didn't send quality reporting data under the IPFQR Program for FY 2022, we apply the 0% update and the wage index budget neutrality factor of 1.0017 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 2.0 percentage point reduction, for IPFs that didn't follow 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%
- The non-labor related share is 22.8%
- 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 2.0 percentage point reduction, for IPFs that didn't follow quality data submission requirements.

5. Provider Specific File (PSF) Updates

For FY 2021, we applied a 5% cap 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 FY (FY 2020). Effective FY 2022, we won't apply a cap on any decrease to a provider's FY 2022 final wage index.

6. The National Urban and Rural Cost to Charge Ratios (CCRs) for the IPF PPS Fiscal Year 2022 – See the [Attachment to CR 12417](#).

7. ICD-10 CM/PCS Updates

For FY 2022, the IPF PPS adjustment factors are the same as those used in FY 2021. But CMS updated the ICD-10-CM/PCS code set, effective October 1, 2021. These updates affect the ICD-10-CM/PCS codes that support the IPF PPS MS-DRGs and the IPF PPS comorbidity categories. See the updated [FY 2022 MS-DRG code lists](#) and the updated [FY 2022 IPF PPS comorbidity categories](#).

There aren't any changes for FY 2022 to the IPF ECT procedure code list.

8. COLA Adjustment

We updated the IPF PPS Cost of Living Adjustment (COLA) factors for Alaska and Hawaii for FY 2022. See the [Attachment \(Cost of Living Adjustments \(COLAs\) to CR 12417](#).

9. Rural Adjustment

For FY 2022, IPFs designated as “rural” continue to receive a 17% rural adjustment.

More Information

We issued [CR 12417](#) to your MAC as the official instruction for this change.

For more information, contact your [MAC](#).

Document History

Date of Change	Description
October 6, 2021	We revised this Article due to a revised CR 12417, which corrected the fixed dollar loss threshold amount to \$16,040. We changed the CR release date, transmittal number, and the web address of the CR. We show the revised fixed dollar loss threshold amount in dark red font on page 3. All other information remains the same.
August 12, 2021	Initial article released.

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