

# MEDICARE PAYMENT FACT SHEET

AUGUST 2022

## FY 2023 INPATIENT PSYCHIATRIC FACILITIES PROSPECTIVE PAYMENT SYSTEM FINAL RULE (CMS-1769-F)

On July 29, the Centers for Medicare & Medicaid Services (CMS) posted its fiscal year (FY) 2023 Inpatient Psychiatric Facilities (IPF) Prospective Payment System (PPS) [final rule](#) effective Oct. 1, 2022 through Sept. 30, 2023. After accounting for all payment and budget neutrality factors, CMS finalized an increase to IPF PPS payments of 2.5% or approximately \$90 million in FY 2023 relative to FY 2022.

**Rate Update:** CMS finalized a 4.1% market basket update, and Affordable Care Act-mandated productivity reduction of 0.3 percentage points, and a 1.2% decrease due to updating the outlier threshold. The payment rate for IPFs that fail to submit required quality data will decrease by two percentage points.

Final FY 2023 base per diem and electroconvulsive therapy (ECT) rate updates include:

Per Diem Base Rates			ECT – Per Treatment Rates		
FY 2023	FY 2023, No Quality Data	FY 2022	FY 2023	FY 2023, No Quality Data	FY 2022
\$865.63	\$848.95	\$832.94	\$372.67	\$365.49	\$358.60

**IPF Patient-Level Adjustment Factors:** CMS finalized continued use of existing payment adjustments for psychiatric diagnoses that group to one of the existing 17 IPF Medicare Severity Diagnosis Related Groups (MS-DRGs) listed in [Addendum A](#). Psychiatric principal diagnoses that do not group to one of these MS-DRGs still receive the per diem base rate and all other applicable adjustments, but do not receive an MS-DRG adjustment. CMS also added 48 ICD-10-PCS codes and removed two ICD-10-PCS codes from the Code First list ([Addendum B](#)).

Regarding payment for comorbid conditions, CMS finalized:

- Continued use of the comorbidity adjustment factors in effect in FY 2022 ([Addendum A](#));
- Adding 10 ICD-10-CM/PCS codes and removing one ICD-10-CM/PCS code from the Coagulation Factor category ([Addendum B](#));
- Adding three ICD-10-CM/PCS codes and removing 11 ICD-10-CM/PCS codes from the Oncology Treatment comorbidity category ([Addendum B](#)); and
- Adding four ICD-10-CM/PCS codes to the Poisoning comorbidity category ([Addendum B](#)).

CMS also finalized continued use of patient age and variable per diem adjustments currently in effect ([Addendum A](#)).

**Outlier Payments:** CMS increased the fixed dollar loss threshold amount from \$16,040 in FY 2022 to \$24,630 in FY 2023 to maintain estimated outlier payments at 2% of estimated aggregate IPF PPS payments.

Finalized cost-to-charge ratio ceilings and medians for FY 2023 are as follows:

Rural Ceiling	Rural Median	Urban Ceiling	Urban Median
2.0412	0.5720	1.7437	0.4200

**Wage Index:** CMS finalized its proposal to permanently implement a 5% cap on any decrease in an IPF’s wage index from the previous year, regardless of the circumstances causing a wage index decline. This policy will be budget neutral.

CMS will continue using the pre-floor, pre-reclassified IPPS hospital wage index as the basis for the [FY 2023 IPF wage index](#). CMS finalized a labor-related share of 77.4%.

CMS finalized the continued application of a 17% payment adjustment to IPFs located in rural areas, a 0.5150 payment adjustment for teaching IPFs, and a 1.31 adjustment factor for IPFs with qualifying emergency departments (EDs).

**IPF Quality Reporting (IPFQR) Program:** CMS did not propose any changes to the IPFQR. Current IPFQR measures are available on [Quality Net](#).

Regarding CMS’ request for information on health equity, CMS continues to explore ways to address health equity through the Medicare quality programs. CMS stated it will continue to take concerns, comments, and suggestions into account for future development and expansion of policies to advance health equity through the IPFQR.

**Request for Information on CMS Analysis of IPF PPS Adjustments:** CMS enlisted a contractor to analyze recent IPF cost and claim information to ensure the appropriateness of the current IPF PPS model. The contractor [found](#) that the IPF PPS generally aligns with the cost of providing IPF services. However, there are several suggestions for updating codes, categories, adjustment factors, and ECT payment amounts per treatment that could improve payment accuracy. CMS requested comments on proposed amendments to the IPF PPS, as detailed in the contractor’s technical [report](#), and will take submitted comments into consideration to potentially inform future rulemaking.

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Sources:

Centers for Medicare & Medicaid Services. Medicare Program: FY 2023 Inpatient Psychiatric Facilities Prospective Payment System-Rate Update and Quality Reporting-Request for Information. Available from: <https://www.federalregister.gov/documents/2022/07/29/2022-16260/medicare-program-fy-2023-inpatient-psychiatric-facilities-prospective-payment-system-rate-update-and>. Accessed July 29, 2022.