

## **CMS Issues FY 2013 Update for IPF PPS**

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On August 2, the Centers for Medicare & Medicaid Services (CMS) issued a notice regarding the IPF PPS--Update for Fiscal Year (FY) Beginning October 1, 2012 (Update). The Update was expected to be published in the Federal Register today.

Under IPF PPS, facilities receive a federal per diem rate which consists of a federal per diem base rate with certain facility- and patient-level adjustments. Patient-level adjustments include age, diagnosis-related group (DRG) assignment, comorbidities, and variable per diem adjustments to reflect higher per diem costs in the early days of an IPF stay. Facility-level adjustments include the IPF's wage index, rural location, teaching status, a cost of living adjustment for Alaska and Hawaii facilities, and the presence of a qualifying emergency department.<sup>1</sup>

Among other changes, the Update advises providers of the following important points:

\* The FY 2008-based Rehabilitation, Psychiatric, and Long Term Care market basket update of 2.7% is adjusted by a 0.1% point reduction and a 0.7% point reduction as required by statute.

\* Based on all components, the new federal per diem inpatient base rate is established at \$698.51 for FY 2013. For patients receiving electroconvulsive therapy, the base rate is set at \$300.72 per treatment.

\*CMS will retain the 1.17 adjustment for rural areas, the 1.31 adjustment for IPFs with a qualifying emergency department for the variable per diem adjustment for the first day of stay (1.19 for IPFs without a qualifying department), and the 0.5150 teaching adjustment to the federal per diem rate. These factors are summarized in Addendum A to the Update.

\*CMS will retain the Medicare Severity-DRG adjustment factors and comorbidity adjustment factors currently being paid to IPFs. These are also summarized in Addendum A to the Update.

\*The fixed-dollar-loss threshold amount was adjusted to \$11,600 for FY 2013 from \$7,350 in Rate Year (RY) 2012 in order to maintain the appropriate outlier percentage.

\*Cost-of-living adjustment factors for Alaska and Hawaii are set between 1.18 and 1.25, depending upon geographic area.

\*The wage index budget neutrality factor is set at 1.0007.

The updates will apply to discharges which occur after October 1 and before September 30, 2013. (In establishing IPF-PPS rates, CMS has changed the applicable time period to the federal FY from the prior RY (July 1 to June 30).) According to CMS estimates, the updates will result in an increase of \$36 million in Medicare payments to IPFs during FY 2013.

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