

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Centers for Medicare & Medicaid Services

42 CFR Parts 412, 413, and 424

[CMS-1213-P]

RIN 0938-AL50

Medicare Program; Prospective Payment System for Inpatient Psychiatric Facilities

AGENCY: Centers for Medicare & Medicaid Services (CMS), HHS.

ACTION: Proposed rule.

SUMMARY: This rule proposes a prospective payment system for Medicare payment of inpatient hospital services furnished in psychiatric hospitals and psychiatric units of acute care hospitals. This rule proposes to implement section 124 of the Medicare, Medicaid, and SCHIP Balanced Budget Refinement Act of 1999 (BBRA), which requires the implementation of a per diem prospective payment system for hospital services of psychiatric hospitals and psychiatric units. The prospective payment system described in this proposed rule would replace the reasonable cost-based payment system currently in effect.

DATES: We will consider comments if we receive them at the appropriate address, as provided below, no later than 5 p.m. on January 27, 2004.

ADDRESSES: In commenting, please refer to file code CMS-1213-P. Because of staff and resource limitations, we cannot accept comments by facsimile (FAX) transmission. Mail written comments (one original and two copies) to the following address ONLY: Centers for Medicare & Medicaid Services, Department of Health and Human Services, Attention: CMS-1213-P, P.O. Box 8012, Baltimore, MD 21244-8012. Please allow sufficient time for mailed comments to be received timely in the event of delivery delays.

If you prefer, you may deliver (by hand or courier) your written comments (one original and two copies) to one of the following addresses: Room 445-G, Hubert H. Humphrey Building, 200 Independence Avenue, SW., Washington, DC 20201, or Room C5-14-03, 7500 Security Boulevard, Baltimore, MD 21244-1850. (Because access to the interior of the HHH Building is not readily available to persons without Federal Government identification, commenters are encouraged to leave their comments in the CMS drop slots located in the main lobby of the

building. A stamp-in clock is available for persons wishing to retain a proof of filing by stamping in and retaining an extra copy of the comments being filed.) Comments mailed to the addresses indicated as appropriate for hand or courier delivery may be delayed and could be considered late.

For information on viewing public comments, see the beginning of the **SUPPLEMENTARY INFORMATION** section.

FOR FURTHER INFORMATION CONTACT: Janet Samen, (410) 786-4533. Philip Cotterill, (410) 786-6598, for information regarding the regression analysis.

SUPPLEMENTARY INFORMATION:

Inspection of Public Comments: Comments received timely will be available for public inspection as they are received, generally beginning approximately 4 weeks after publication of a document, at the headquarters of the Centers for Medicare & Medicaid Services, 7500 Security Boulevard, Baltimore, Maryland 21244, Monday through Friday of each week from 8:30 a.m. to 4 p.m. To schedule an appointment to view public comments, phone (410) 786-9994.

Copies: To order copies of the **Federal Register** containing this document, send your request to: New Orders, Superintendent of Documents, P.O. Box 371954, Pittsburgh, PA 15250-7954. Specify the date of the issue requested and enclose a check or money order payable to the Superintendent of Documents, or enclose your Visa or Master Card number and expiration date. Credit card orders can also be placed by calling the order desk at (202) 512-1800 (or toll-free at 1-888-293-6498) or by faxing to (202) 512-2250. The cost for each copy is \$10. As an alternative, you can view and photocopy the **Federal Register** document at most libraries designated as Federal Depository Libraries and at many other public and academic libraries throughout the country that receive the **Federal Register**.

This **Federal Register** document is also available from the **Federal Register** online database through *GPO Access*, a service of the U.S. Government Printing Office. The Web site address is: <http://www.access.gpo.gov/nara/index.html>.

To assist readers in referencing sections contained in this document, we are providing the following table of contents.

Table of Contents

- I. Background
 - A. General and Legislative History
 - B. Overview of the Payment System for Psychiatric Hospitals and Psychiatric Units before the BBA

1. Description of the TEFRA Payment Methodology
2. BBA Amendments to TEFRA
3. BBRA Amendments to TEFRA
4. BIPA Amendments to TEFRA
- II. Overview of the Proposed IPF Prospective Payment System
 - A. Use of Diagnostic Codes for Payment
 1. ICD
 2. DRGs
 - B. Limitations of the DRG System for Psychiatric Patients
 - C. Proposed DRG Adjustments Under the Proposed IPF Prospective Payment System
 - D. DRGs not Recognized in the Proposed IPF Prospective Payment System
 - E. Applicability of the Proposed IPF Prospective Payment System
- III. Development of the Proposed IPF Per Diem Payment Amount
 - A. Proposed Market Basket
 - B. Development of the Proposed Case-Mix Adjustment Regression.
 1. Proposed Patient-Level Characteristics
 - a. DRGs
 - b. Comorbidities
 - c. Patient Age and Gender
 - d. Length of Stay
 2. Proposed Facility-Level Characteristics
 - a. Rural Location
 - b. Teaching Status
 - c. Disproportionate Share Hospital Status
 - d. Psychiatric Units in General Acute Care Hospitals
 - e. Adjustment for Alaska and Hawaii IPFs
 - C. Proposed Payment Adjustments
 - a. Proposed Outlier Adjustment
 - b. Methodology for Proposed Outlier Payments
 - c. Proposed Implementation of the Outlier Policy
 1. Statistical Accuracy of Cost-to-Charge Ratio
 2. Adjustment of IPF Outlier Payments
 - d. Computation of Proposed Outlier Payments
 - e. Interrupted Stays
 - C. Development of the Proposed Budget-Neutral Federal Per Diem Base Rate
 1. Data Used to Develop the Proposed Federal Per Diem Base Rate
 2. Calculation of the Proposed Per Diem Amount
 3. Determining the Proposed Update Factors for the Budget-Neutrality Calculation
 - a. Cost Report Data for April 1, 2004 through June 30, 2005
 - b. Estimate of Total Payments under the TEFRA Payment System
 - c. Payments Under the Proposed Prospective Payment System without a Budget-Neutrality Adjustment
 - d. Calculation of the Proposed Budget-Neutrality Adjustment
 4. The Proposed Behavioral Offset
 5. Proposed Federal Per Diem Base Rate
 6. Proposed Changes to Physician Recertification Requirements
 - E. Proposed Area Wage Adjustment
 - F. Effect of the Proposed Transition on Budget Neutrality
 - G. Calculation of the Proposed Payment
- IV. Implementation of the Proposed IPF Prospective Payment System