

under this subpart for a covered hospital stay (that is, a stay that included at least one covered day) may charge the Medicare beneficiary or other person only the applicable deductible and coinsurance amounts under § 409.82, § 409.83, and § 409.87 of this chapter and for items or services as specified under § 489.20(a) of this chapter.

(d) *Furnishing of hospital inpatient services directly or under arrangement.*

(1) Subject to the provisions of § 412.422, the applicable payments made under this subpart are payment in full for all hospital inpatient services, as specified in § 409.10 of this chapter. Hospital inpatient services do not include the following:

(i) Physicians' services that meet the requirements of § 415.102(a) of this chapter for payment on a fee schedule basis.

(ii) Physician assistant services, as specified in section 1861(s)(2)(K)(i) of the Act.

(iii) Nurse practitioners and clinical nurse specialist services, as specified in section 1861(s)(2)(K)(ii) of the Act.

(iv) Certified nurse midwife services, as specified in section 1861(gg) of the Act.

(v) Qualified psychologist services, as specified in section 1861(ii) of the Act.

(vi) Services of a certified registered nurse anesthetist, as specified in section 1861(bb) of the Act.

(2) CMS does not pay providers or suppliers other than inpatient psychiatric facilities for services furnished to a Medicare beneficiary who is an inpatient of the inpatient psychiatric facility, except for services described in paragraphs (d)(1)(i) through (d)(1)(vi) of this section.

(3) The inpatient psychiatric facility must furnish all necessary covered services to the Medicare beneficiary who is an inpatient of the inpatient psychiatric facility, either directly or under arrangements (as specified in § 409.3 of this chapter).

(e) *Reporting and recordkeeping requirements.* All inpatient psychiatric facilities participating in the prospective payment system under this subpart must meet the recordkeeping and cost reporting requirements as specified in § 412.27(c), § 413.20, and § 413.24 of this chapter.

#### **§ 412.422 Basis of payment.**

(a) *Method of Payment.* (1) Under the prospective payment system, inpatient psychiatric facilities receive a predetermined per diem payment amount for inpatient services furnished to Medicare Part A fee-for-service beneficiaries.

(2) Payment under the prospective payment system is based on the Federal per diem payment rate that includes adjustments as specified in § 412.424.

(3) During the transition period, payment is based on a blend of the Federal per diem payment amount and the facility-specific payment rate as specified in § 412.426.

(b) *Payment in full.* (1) The payment made under this subpart represents payment in full (subject to applicable deductibles and coinsurance as specified in subpart G of part 409 of this chapter) for inpatient operating and capital-related costs associated with furnishing Medicare covered services in an inpatient psychiatric facility, but not the cost of an approved medical education program as specified in § 413.85 and § 413.86 of this chapter.

(2) In addition to the payments based on the prospective payment rates, inpatient psychiatric facilities receive payment for bad debts of Medicare beneficiaries, as specified in § 413.80 of this chapter.

#### **§ 412.424 Methodology for calculating the Federal per diem payment rates.**

(a) *Data sources.* To calculate the Federal per diem payment rate for inpatient psychiatric facilities, CMS uses the following data sources:

(1) The best Medicare data available to estimate the average per diem payment amount for inpatient operating and capital-related costs made as specified in part 413 of this chapter.

(2) Patient and facility cost report data capturing routine and ancillary costs.

(3) An appropriate wage index to adjust for wage differences.

(4) An increase factor to adjust for the most recent estimate of increases in the prices of an appropriate market basket of goods and services provided by inpatient psychiatric facilities.

(b) *Determining the Federal per diem base amount.* The Federal per diem base rate is the product of the updated average per diem rate and the budget-neutrality adjustment factor as described in paragraphs (b)(1) and (b)(2) of this section.

(1) *Determining the average per diem rate.* CMS determines the average inpatient operating and capital per diem cost for inpatient psychiatric facilities by using the best available data as specified in paragraph (a) of this section. CMS applies the increase factor described in paragraph (a)(4) of this section to update the rate to the midpoint of the first 15 months under the system.

(2) *Budget-neutrality factor.* (i) CMS adjusts the average per diem amount to ensure that the aggregate payments

under the prospective payment system are estimated to equal the amount that would have been made to inpatient psychiatric facilities if the prospective payment system described in this subpart was not implemented.

(ii) CMS evaluates the accuracy of the budget-neutrality adjustment within the first 5 years after implementation of the inpatient prospective payment system. CMS may make a one-time prospective adjustment to the Federal per diem base rate to account for significant differences between the historical data on cost-based TEFRA payments (the basis of the budget-neutrality adjustment at the time of implementation) and estimates of TEFRA payments based on actual data from the first year of the prospective payment system.

(c) *Determining the Federal per diem amount.* The Federal per diem payment amount is the product of the Federal per diem base rate, the facility-level adjustments applicable to the inpatient psychiatric facility, and the patient-level characteristics applicable to the case as described in paragraphs (c)(1) and (c)(2) of this section.

(1) *Facility-level adjustments.* (i) *Adjustment for wages.* The labor portion of the Federal per diem base rate is adjusted to account for geographic differences in the area wage levels using an appropriate wage index. The application of the wage index is made on the basis of the location of the inpatient psychiatric facility in an urban or rural area as specified in § 412.402.

(ii) *Location in rural areas.* CMS adjusts the Federal per diem base rate by a factor for facilities located in rural areas as specified in § 412.62(f)(1)(iii).

(iii) *Teaching status.* CMS adjusts the Federal per diem base rate by a factor to account for a facility's teaching status based on the ratio of the number of interns and residents assigned to the facility divided by the facility's average daily census.

(2) *Patient-level adjustments.* (i) *Age.* CMS adjusts the Federal per diem base rate by a factor for patients age 65 and older.

(ii) *Principal diagnosis.* The inpatient psychiatric facility must identify a psychiatric diagnosis for each patient. CMS adjusts the wage-adjusted Federal per diem base rate by a factor to account for the diagnosis-related group assignment associated with the principal diagnosis, as specified by CMS.

(iii) *Comorbidities.* CMS adjusts the Federal per diem base rate by a factor to account for certain comorbidities as specified by CMS.