

(iv) *Variable per diem adjustments.* CMS adjusts the Federal per diem base rate by declining factors for day 1, days 2 through 4, and days 5 through 8 of the inpatient stay. The variable per diem adjustment does not apply after day 8.

(v) *Adjustment for high-cost cases.*

CMS provides for an additional payment if the estimated total cost for a case exceeds a fixed dollar loss threshold plus the total per diem payment amount for the case.

(A) The fixed dollar loss threshold is adjusted for area wage levels, teaching status, and rural location.

(B) The additional payment equals 80 percent of the difference between the estimated cost of the case and the per diem payment amount for days 1 through 8, 60 percent for days 9 and beyond.

(C) Additional payments made under this section would be subject to the adjustments at § 412.84(i), except that the national urban and rural medians would be used instead of statewide averages, and at § 412.84(m) of this part.

(d) *Special payment provision for interrupted stays.* If a patient is discharged from an inpatient psychiatric facility and returns to the same facility before midnight of the 5th consecutive day, the case is considered to be continuous for purposes:

(1) Determining the appropriate variable per diem adjustment, as specified in paragraph (c)(2)(iv) of this section, applicable to the case.

(2) Determining whether the total cost for a case exceeds the fixed dollar loss threshold and qualifies for outlier payments as specified in paragraph (c)(2)(v) of this section.

#### § 412.426 Transition period.

(a) *Duration of transition period and proportion of the blended transition rate.* Except as provided in paragraph (c) of this section, for cost reporting periods beginning on or after April 1, 2004 through June 30, 2007, an inpatient psychiatric facility receives a payment comprised of a blend of the Federal per diem payment amount, as specified in § 412.424(c) and a facility-specific payment as specified under paragraph (b) of this section.

(1) For cost reporting periods beginning on or after April 1, 2004 and before June 30, 2005, payment is based on 75 percent of the facility-specific payment and 25 percent of the Federal per diem payment amount.

(2) For cost reporting periods beginning on or after July 1, 2005 and before June 30, 2006, payment is based on 50 percent of the facility-specific payment and 50 percent of the Federal per diem payment amount.

(3) For cost reporting periods beginning on or after July 1, 2006 and before June 30, 2007, payment is based on 25 percent of the facility-specific payment and 75 percent of the Federal per diem payment amount.

(4) For cost reporting periods beginning on or after July 1, 2007, payment is based entirely on the Federal per diem payment amount.

(b) *Calculation of the facility-specific payment.* The facility-specific payment is equal to the payment for each cost reporting period in the transition period that would have been made without regard to this subpart. The facility's Medicare fiscal intermediary calculates the facility-specific payment for inpatient operating costs and capital costs in accordance with part 413 of this chapter.

(c) *Treatment of new inpatient psychiatric facilities.*

New inpatient psychiatric facilities, that is, facilities that under present or previous ownership or both have their first cost reporting period as an IPF beginning on or after April 1, 2004, are paid based entirely on the Federal per diem payment system.

#### § 412.428 Publication of the Federal per diem payment rates.

CMS will publish annually in the **Federal Register** information pertaining to the inpatient psychiatric facility prospective payment system. This information includes the Federal per diem payment rates, the area wage index, and a description of the methodology and data used to calculate the payment rates.

#### § 412.432 Method of payment under the inpatient psychiatric facility prospective payment system.

(a) *General rule.* Subject to the exceptions in paragraphs (b) and (c) of this section, an inpatient psychiatric facility receives payment under this subpart for inpatient operating cost and capital-related costs for each inpatient stay following submission of a bill.

(b) *Periodic interim payments (PIP).*

(1) Criteria for receiving PIP.

(i) An inpatient psychiatric facility receiving payment under this subpart may receive PIP for Part A services under the PIP method subject to the provisions of § 413.64(h) of this chapter.

(ii) To be approved for PIP, the inpatient psychiatric facility must meet the qualifying requirements in § 413.64(h)(3) of this chapter.

(iii) Payments to a psychiatric unit are made under the same method of payment as the hospital of which it is a part as specified in § 412.116.

(iv) As provided in § 413.64(h)(5) of this chapter, intermediary approval is

conditioned upon the intermediary's best judgment as to whether payment can be made under the PIP method without undue risk of resulting in an overpayment to the provider.

(2) *Frequency of payment.* For facilities approved for PIP, the intermediary estimates the annual inpatient psychiatric facility's Federal per diem prospective payments, net of estimated beneficiary deductibles and coinsurance, and makes biweekly payments equal to  $\frac{1}{26}$  of the total estimated amount of payment for the year. If the inpatient psychiatric facility has payment experience under the prospective payment system, the intermediary estimates PIP based on that payment experience, adjusted for projected changes supported by substantiated information for the current year. Each payment is made 2 weeks after the end of a biweekly period of service as specified in § 413.64(h)(6) of this chapter. The interim payments are reviewed at least twice during the reporting period and adjusted if necessary. Fewer reviews may be necessary if an inpatient psychiatric facility receives interim payments for less than a full reporting period. These payments are subject to final settlement.

(3) *Termination of PIP.* (i) *Request by the inpatient psychiatric facility.* Subject to the provisions of paragraph (b)(1)(iii) of this section, an inpatient psychiatric facility receiving PIP may convert to receiving prospective payments on a non-PIP basis at any time.

(ii) *Removal by the intermediary.* An intermediary terminates PIP if the inpatient psychiatric facility no longer meets the requirements of § 413.64(h) of this chapter.

(c) *Interim payments for Medicare bad debts and for costs of an approved education program and other costs paid outside the prospective payment system.* The intermediary determines the interim payments by estimating the reimbursable amount for the year based on the previous year's experience, adjusted for projected changes supported by substantiated information for the current year, and makes biweekly payments equal to  $\frac{1}{26}$  of the total estimated amount. Each payment is made 2 weeks after the end of the biweekly period of service as specified in § 413.64(h)(6) of this chapter. The interim payments are reviewed at least twice during the reporting period and adjusted if necessary. Fewer reviews may be necessary if an inpatient psychiatric facility receives interim payments for less than a full reporting period. These payments are subject to final cost settlement.