



Inpatient Psychiatric Facilities Prospective Payment System (IPF PPS) Updates for Fiscal Year (FY) 2023

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Provider Types Affected

This MLN Matters Article is for Inpatient Psychiatric Facilities (IPFs) billing Medicare Administrative Contractors (MACs) for services they provide to Medicare patients.

Provider Action Needed

Make sure your billing staff knows about updates to:

- The FY 2023 Wage Index
- The FY 2023 Pricer
- The IPF Quality Reporting Program

Background

CMS makes annual updates to the IPF PPS. This Article discusses the changes for FY 2023. We base the changes on the [IPF Final Rule](#). These changes apply to discharges occurring from October 1, 2022 - September 30, 2023.

Key Changes for FY 2023

Market Basket Update

We last rebased and revised the market basket applicable to IPFs in the FY 2020 IPF PPS update, when we adopted a 2016-based IPF-specific market basket. For FY 2023, we're using the 2016-based IPF market basket to update the IPF PPS payments (the federal per-diem base rate and Electroconvulsive Therapy (ECT) payment per treatment).

The 2016-based IPF market basket update for FY 2023 is 4.1%. However, the Social Security Act (the Act) requires a reduction to this 4.1%. Section 1886(s)(2)(A)(i) of [the Act](#) requires the application of the productivity adjustment described in section 1886(b)(3)(B)(xi)(II) of [the Act](#) to

the IPF PPS for the Rate Year (RY) beginning in 2012 (the RY is the same as FY), and each subsequent RY. For FY 2023, the reduction is 0.3%. This provision is in the FY 2023 IPF PPS Final Rule.

We applied the adjusted market basket update of 3.8% (which includes the 2016-based IPF market basket update of 4.1% reduced by 0.3%) and the wage index budget neutrality factor of 1.0012 to the FY 2022 federal per diem base rate of \$832.94. This yields an FY 2023 federal per diem base rate of \$865.63.

Similarly, we applied the adjusted market basket update of 3.8% and the wage index budget neutrality factor of 1.0012 to the FY 2022 ECT payment per treatment of \$358.60, which yields an ECT payment per treatment of \$372.67 for FY 2023.

FY 2023 Wage Index Update

We continue our policy from the prior FY of updating the IPF PPS wage index for FY 2023 with the concurrent wage data from the FY 2023 Inpatient Prospective Payment System (IPPS) wage index before considering reclassifications and other adjustments. See the [FY 2023 final IPF PPS wage index](#).

IPF Quality Reporting Program (IPFQR)

Section 1886(s)(4)(A)(i) of [the Act](#) requires that, for FY 2014 and each subsequent FY, the Secretary will reduce any annual update to a standard federal rate for discharges occurring during the FY by 2.0% for any IPF that doesn't comply with the quality data submission requirements for an applicable year. Thus, a 2.0% reduction applies when calculating the federal per-diem base rate and the ECT payment per treatment as follows:

- The adjusted market basket update of 3.8% is reduced by 2% for an update of 1.8% for IPFs that failed to meet quality reporting requirements
- For IPFs that failed to submit quality reporting data under the IPFQR program for FY 2023, the 1.8% update and the wage index budget neutrality factor of 1.0012 are applied to the FY 2022 federal per-diem base rate of \$832.94, yielding a federal per-diem base rate of \$848.95
- For IPFs that failed to submit quality reporting data under the IPFQR program for FY 2023, the 1.8% update and the wage index budget neutrality factor of 1.0012 are applied to the FY 2022 ECT payment per treatment of \$358.60, yielding a per-treatment ECT payment of \$365.49 for FY 2023

PRICER Updates: IPF PPS FY 2023

- The federal per-diem base rate is \$865.63 for IPFs that complied with quality data submission requirements
- The federal per-diem base rate is \$848.95 for IPFs that failed to comply with quality data submission requirements

- The fixed dollar loss threshold amount is \$24,630
- We base the IPF PPS wage index on the FY 2023 pre-floor, pre-reclassified acute care hospital wage index
- The labor-related share is 77.4%
- The non-labor related share is 22.6%
- The ECT payment per treatment is \$372.67 for IPFs that complied with quality data submission requirements
- The ECT payment per treatment is \$365.49 for IPFs that failed to comply with quality data submission requirements

Provider Specific File (PSF) Updates

Effective for FY 2023, a permanent 5% cap will be adopted and applied to all IPF providers on any decrease to a provider's final wage index from that provider's final wage index of the prior FY.

The National Urban and Rural Cost to Charge Ratios (CCRs) for the IPF PPS FY 2023

The national [CCRs](#) are in the attachment to CR 12859.

ICD-10-CM/PCS Updates

For FY 2023, the IPF PPS adjustment factors are the same as those for FY 2022. However, we updated the ICD-10-CM/PCS code set, effective October 1, 2022. These updates affect the ICD-10-CM/PCS codes that underlie the IPF PPS Medicare Severity-Diagnosis Related Groups (MS-DRGs) and the IPF PPS comorbidity categories. See the updated [FY 2023 MS-DRG code lists](#) and the updated [FY 2023 IPF PPS comorbidity categories](#).

There aren't any changes for FY 2023 to the IPF ECT procedure code list.

COLA Adjustment

The [IPF PPS Cost of Living Adjustment \(COLA\)](#) factors for FY 2023 are the same as those used in FY 2022.

Rural Adjustment

For FY 2023, IPFs designated as rural continue to receive a 17% rural adjustment.

More Information

We issued [CR 12859](#) to your MAC as the official instruction for this change.

For more information, [find your MAC's website](#).

Document History

Date of Change	Description
August 4, 2022	Initial article released.

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