PPS Brings Change to Inpatient Psychiatric Facilities

by Darice Grzybowski, MA, RHIA, FAHIMA

For the past 20 years, licensed inpatient psychiatry units and free-standing inpatient psychiatric hospitals have been exempt from DRG-based prospective payment for Medicare patients. This year that's changing.

Beginning in 2004, the Centers for Medicare and Medicaid Services (CMS) will implement a prospective payment system (PPS) for these facilities. Preliminary regulations were published in the *Federal Register* on November 28, 2003. Comments on the regulations were taken in an extended comment period through the end of February 2004.

The decision introduces significant change into the coding of care provided in these facilities.

Q: Why the change in psychiatric hospital reimbursement now?

A: As part of the Balanced Budget Refinement Act of 1999, hospital-based inpatient psychiatry units and free-standing psychiatric hospitals are required to move from cost-based reimbursement to PPS reimbursement for Medicare patients. The new PPS, which will affect approximately 2,000 facilities, is intended to promote long-term cost control and utilization management and will be implemented by CMS on a budget-neutral basis. Only licensed psychiatric facilities and hospital-based psychiatry units will come under the new PPS, which will be phased in over a three-year period. General healthcare facilities that are not licensed for specialty care but that occasionally treat patients with behavioral health or chemical dependency diagnoses will not come under the new PPS.

Q: So is this different than the inpatient prospective payment system for hospitals?

A: Yes. PPSs implemented since 1983—including those based on DRGs, APCs, HHRGs, CMGs, and LTAC DRGs—have all been slightly different, yet they use the same base DRG aggregate classification groups. The primary difference between systems is the formulas used to calculate reimbursement. These formulas are quite complex and change over the three-year phase-in period due to varying combinations of cost-based reimbursement and prospective payment calculation. Methods for treating outliers and transfers and for determining DRG assignment also differ depending on the PPS.

Another way in which the proposed inpatient psychiatric regulations differ from other prospective payment systems is the limited number of diagnoses upon which the inpatient psychiatric DRG is calculated. Over time, additional diagnoses, complications, procedures, and other factors of influence may be included in the PPS as it is put into practice.

Q: When will the new inpatient psychiatric PPS be implemented?

A: Although the original implementation date for the new PPS was projected to be April 1, 2004, the extended comment period through February 2004 means that the implementation date will be pushed back. Upon the official implementation date in early summer 2004, inpatient psychiatry units and free-standing psychiatric hospitals will be reimbursed under the new PPS beginning on the first day of the facility's next fiscal year (e.g., July 1, January 1) following the publication of the final regulations. Facilities will be phased in over a three-year period, until 100 percent of their Medicare reimbursement comes under the new PPS.

Q: How should I prepare my HIM staff for this change?

A: If your coding staff is experienced in ICD-9-CM coding and DRG grouping, little new education is needed. However, training may be required for psychiatric facilities that use DSM-IV clinical diagnostic assessment classifications for calculating reimbursement. DSM codes do not affect the DRG-based PPS system under the new regulations. In addition, good reference materials and resources and an encoding system are recommended to facilitate coding consistency, accuracy, and compliance.

HIM departments also may want to consider additional tools to support grouping, reimbursement calculation, and data analysis and reporting so that the impact of the new PPS on facility revenues, for example, can be monitored over time.

Q: How will the new inpatient psychiatric PPS affect our facility's reimbursement?

A: The impact on facilities may vary. When the inpatient DRG system was implemented 20 years ago, some hospitals experienced a decrease in reimbursement for Medicare patients and others experienced an increase. In order for a hospital to receive all the reimbursement to which it is entitled under the psychiatric PPS, the hospital must ensure that coding for its psychiatric patients is complete and accurate.

Q: Will payers other than Medicare use this system to reimburse for services?

A: Many state Medicaid programs already reimburse for inpatient psychiatric care according to a DRG-based system. Previously, third-party payers have adopted other prospective payment systems for reimbursement and so may consider using the inpatient psychiatric PPS once the efficacy of the system can be demonstrated.

General Behavioral Health FAQs

Q: What is the *Diagnostic and Statistical Manual* (DSM) and why do psychiatrists and other health professionals prefer this coding classification to ICD-9-CM?

A: An important feature to users of the American Psychiatric Association's (APA) DSM is that unlike ICD-9-CM the DSM provides important diagnostic criteria and additional information that are used as a tool in identifying psychiatric disorders. Similar to ICD-9-CM, the DSM includes a list of psychiatric disorders and the related diagnostic codes and provides a channel for communicating and recording diagnostic information. The DSM and ICD-9-CM both assist in the areas of research and statistics. The DSM is currently in its fourth edition, titled DSM-IV-TR, published in 2000. The APA expects DSM-V to be published in 2010. The DSM-IV-TR publication and information related to DSM-V is available on the APA Web site at www.appi.org.

Q: Will the latest version of the DSM be compatible with ICD-10-CM?

A: Yes. The developers of DSM-IV and ICD-10-CM worked closely together, and ICD-10-CM Chapter 5, Mental and Behavioral Disorders (F01-F99), will be compatible with DSM-IV in terms of terminology and structure. ICD-10-CM will replace outdated terminology in ICD-9-CM with terminology that reflects the DSM-IV names for mental disorders.

Q: Can behavioral healthcare clinicians still use the DSM-IV diagnostic criteria, even though DSM-IV has not been adopted as a HIPAA code set?

A: Yes. Adoption of the DSM-IV diagnostic criteria, which are used to establish a diagnosis, is outside the scope of HIPAA. The use of ICD-9-CM as the standard for reporting diagnoses on reimbursement claims does not exclude the use of DSM-IV diagnostic criteria. It is expected that clinicians may continue to base their diagnostic decisions on the DSM-IV criteria and crosswalk those decisions to the appropriate ICD-9-CM codes.

This issue is addressed on the CMS Web site at http://questions.cms.hhs.gov (search on "DSM-IV").

Tabular Modification Example			
DSM IV	**ICD-9-CM (Oct. 1, 2003)**	**ICD-9-CM (Proposed Oct. 1, 2004)**	**ICD-10-CM**
290.4x Vascular Dementia	290.4x Arteriosclerotic dementia	290.4x Vascular Dementia	F01.5x Vascular Dementia

Coding Resources

As part of the HIPAA standard, behavioral health settings must adhere to the ICD-9-CM Official Guidelines for Coding and Reporting. A copy of the coding guidelines may be found at www.cdc.gov/nchs/datawh/ftpserv/ftpicd9/guidelines. This Web site also includes ICD-10-CM coding guidelines.

The ICD-9-CM coordination and maintenance committee summary reports provide important information on requests and rationale for diagnosis and procedure code changes. For example, on December 5, 2003, the committee received a request to update diagnostic terminology used in the ICD-9-CM mental disorders chapter and to remove appendix B, "Glossary of Mental Disorders." The updated terminology request is consistent with DSM-IV and ICD-10-CM.

The committee summary reports are available at www.cms.hhs.gov/paymentsystems/icd9/default.asp#addenda.

Beginning in 2005, new ICD-9-CM codes will be implemented twice a year, on April 1 and October 1. ICD-9-CM diagnosis and procedure code changes are available at www.cms.hhs.gov/medlearn/icd9code.asp.

Medicare Reimbursement Resources

The Proposed Inpatient Psychiatric Facility PPS Rule and provider-related resources are available at www.access.gpo.gov/su_docs/fedreg/a031128c.html and www.cms.hhs.gov/providers/ipfpps.

AHIMA Resources

HIM professionals employed in the behavioral health setting are invited to network in AHIMA's Communities of Practice, the online member forum featuring up-to-date industry news, links to helpful resources, and, most importantly, solutions and ideas from peers. To join the Behavioral Health Community, visit www.ahimanet.org/COP. [no longer available]

The AHIMA Web site and the FORE Library: HIM Body of Knowledge provide valuable information related to the behavioral health setting. To view AHIMA comments on the proposed PPS for inpatient psychiatric facilities, go to www.ahima.org/dc/.

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