

Improving payment and care under Medicare's inpatient psychiatric benefit

ISSUE: In 2005, Medicare began paying inpatient psychiatric facilities (IPFs) per diem rates under a prospective payment system (PPS). The change to a PPS creates new financial incentives for providers and therefore may affect the types of cases admitted to IPFs and the services furnished. Monitoring the accuracy of payments under the IPF PPS will be crucial to ensuring access to and quality of inpatient care for Medicare beneficiaries with severe mental illnesses.

KEY POINTS: Staff has continued to monitor trends in the supply of inpatient psychiatric providers and use of these services. In addition, for the first time we have begun to explore providers' payments and costs under the IPF PPS and to consider what differences in provider profitability might tell us about the accuracy of payments. We will also discuss early results from work on episodes of care for beneficiaries with IPF stays, including the use of physician services.

ACTION: Commissioners should review the paper, discuss issues raised by this research, and determine if there are specific issues that should be pursued further.

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