

Who is affected by Medicare's coverage limit on psychiatric hospitalizations?

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BACKGROUND

Under Medicare, coverage of treatment in freestanding psychiatric facilities (IPFs) is subject to a lifetime limit of 190 days. This provision was established in 1965 (with the enactment of Medicare), when most inpatient psychiatric care was provided by state-run freestanding facilities. Historically, individuals who needed long-term inpatient psychiatric treatment were admitted to state-run psychiatric hospitals and costs were covered by the state. The past decades have seen closures of state psychiatric hospitals and shifts to private hospitals as the predominant provider of psychiatric beds.

The 190-day limit does not apply to hospital-based units, which account for about 60 percent of IPF stays (though this share has been decreasing in recent years). It also does not apply to psychiatric care in general acute care hospitals.

RESEARCH OBJECTIVE

Identify the Medicare beneficiaries who are near or have reached the coverage limit in freestanding IPFs, describe their characteristics, and compare them to other Medicare fee-for-service (FFS) beneficiaries who had a psychiatric hospitalization but were not near the lifetime limit.

METHODS

We used Medicare FFS and Medicare Advantage (MA) enrollment data from 2021 and 2022 to identify beneficiaries near or reaching the 190-day coverage limit on freestanding IPF days. We used 100% Medicare FFS claims to compare inpatient psychiatric treatment use for FFS beneficiaries with between 0 and 15 lifetime psychiatric days remaining versus those with 16 to 90 days remaining. For this comparison, we limited the study population to those who had at least one stay in a freestanding IPF in the prior five years (2017 to 2021).

PRINCIPAL FINDINGS

Number of Medicare beneficiaries who reached or neared the lifetime limit, 2022

	Reached limit	Within 15 days of limit	Total
FFS	24,470	5,930	30,400
MA	12,780	3,990	16,770
Total	37,250	9,920	47,170

Note: IPFs (inpatient psychiatric facilities), FFS (fee-for-service), MA (Medicare Advantage).
Source: Medicare enrollment data from CMS for 2022 and 2023.

In 2021, compared to FFS beneficiaries with 16-90 days remaining, those with 15 or fewer days remaining were more likely to:

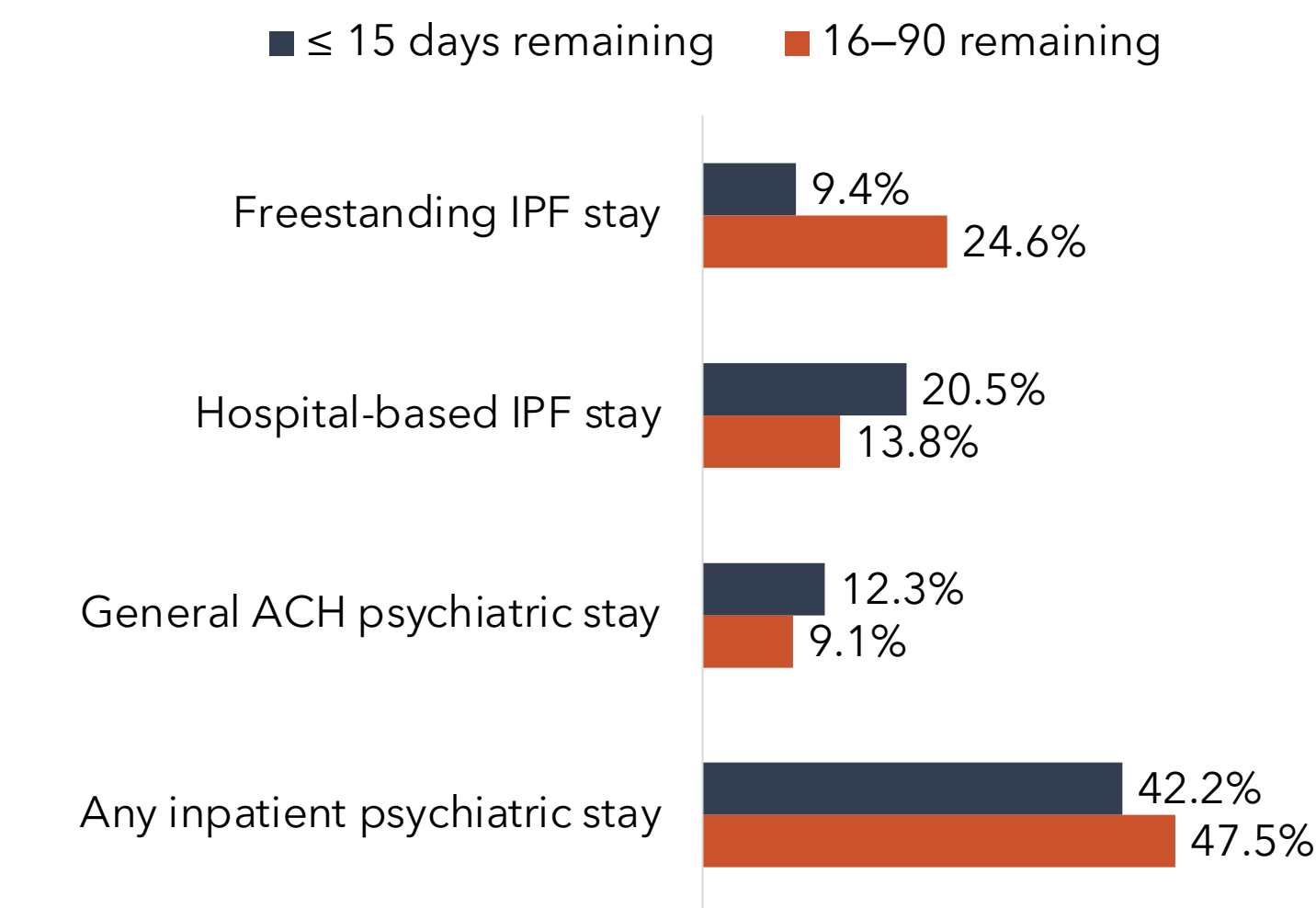
- Be nonelderly (79% vs. 55%) and nonwhite (34% vs. 27%)
- Have low-income (85% vs. 62%) and be disabled (75% vs. 52%)
- Spend more on Part D prescription drugs in the year (\$12,200 vs. \$4,200).

For more characteristics, refer to Medicare Payment Advisory Commission 2023.

Availability of alternative coverage

- Some MA plans offer additional IPF coverage as a supplemental benefit; 3.6% of MA enrollees affected by the limit were in these plans
- Due to the "IMD exclusion", Medicaid IPF coverage for adults younger than age 65 is restricted (see Congressional Budget Office 2023); 54% of Medicare beneficiaries affected by the limit were dually eligible and under age 65

FFS beneficiaries at or nearing the limit were less likely to have a Medicare-covered inpatient psychiatric stay, 2022



Note: FFS (fee-for-service), IPF (inpatient psychiatric facility), ACH (acute care hospital). Psychiatric lifetime days remaining were calculated as of June 2022. Psychiatric stays in a general ACH hospital (scatter-bed stay) were defined as a hospital stay paid under the IPPS or a critical access hospital with a diagnostic-related group (DRG) falling in major diagnostic category (MDC) 19 (mental diseases & disorders). Stays in freestanding and hospital-based IPFs also included only stays with a DRG in MDC 19. All differences were statistically significantly different from each other at the 1% level. Also see Medicare Payment Advisory Commission 2024 for more information.
Source: MedPAC analysis of enrollment and Medicare Provider Analysis and Review data from CMS for 2017 to 2022.

REFERENCES

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CONCLUSIONS

- About 50,000 beneficiaries were affected by Medicare's 190-day limit on stays in freestanding IPFs in 2022. They tended to be among the most vulnerable - the majority were disabled and low-income.
- We found some evidence of shifts in setting of care for inpatient psychiatric services (and generally less inpatient psychiatric services used) among beneficiaries nearing the limit.
- Some MA plans offer IPF supplemental benefits that would cover more than 190 IPF days, but only 3.6% of MA enrollees near or reaching the limit were enrolled in these plans.
- Many Medicare beneficiaries affected by the limit are also covered by Medicaid, but coverage of care in freestanding IPFs is restricted for beneficiaries younger than age 65 (composing over half of beneficiaries near or reaching the limit).

IMPLICATIONS FOR POLICY AND PRACTICE

The 190-day lifetime limit on inpatient psychiatric treatment in freestanding IPFs affects some of the most vulnerable Medicare beneficiaries. Given closures of state-run psychiatric facilities, declines in hospital-based IPFs, and limited alternative coverage options, policymakers should examine how this policy affects beneficiaries' access to (and use of) care and consider whether it should be eliminated. Although removing the limit would be costly to Medicare, costs would be mitigated by the extent to which beneficiaries affected by the limit shift care to other settings or forego necessary treatment (possibly resulting in worse outcomes and more costly care).

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