

Eliminating Medicare's coverage limits on stays in freestanding inpatient psychiatric facilities

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Today's presentation

- 1 Background
- 2 Beneficiaries affected by Medicare's limit on care in freestanding IPFs
- 3 Improving access to IPF care by removing the 190-day limit
- 4 Illustrative change in Medicare spending from removing the limit in 2023
- 5 Draft recommendation
- 6 Continued work on improving inpatient psychiatric facility care

The Commission's prior work on Medicare's coverage limits in freestanding IPFs

- Examined behavioral health services under Medicare (June 2023)
 - Utilization and spending on behavioral health services provided by clinicians and outpatient facilities
 - Trends and issues in IPF services, including information on the 190-day lifetime limit
- Analyses of the types of care beneficiaries receive when they approach or exceed the 190-day limit (March 2024)
- Chair's draft recommendation to eliminate Medicare's IPF coverage limits (November 2024)

Note: IPF (inpatient psychiatric facility).

Source: Medicare Payment Advisory Commission. 2024. *Update on trends and issues in Medicare inpatient psychiatric services*. <https://www.medpac.gov/wp-content/uploads/2023/10/IPF-monitoring-FINAL.pdf>; Medicare Payment Advisory Commission. 2023. *Report to the Congress: Medicare and the health care delivery system*. Washington, DC: MedPAC.

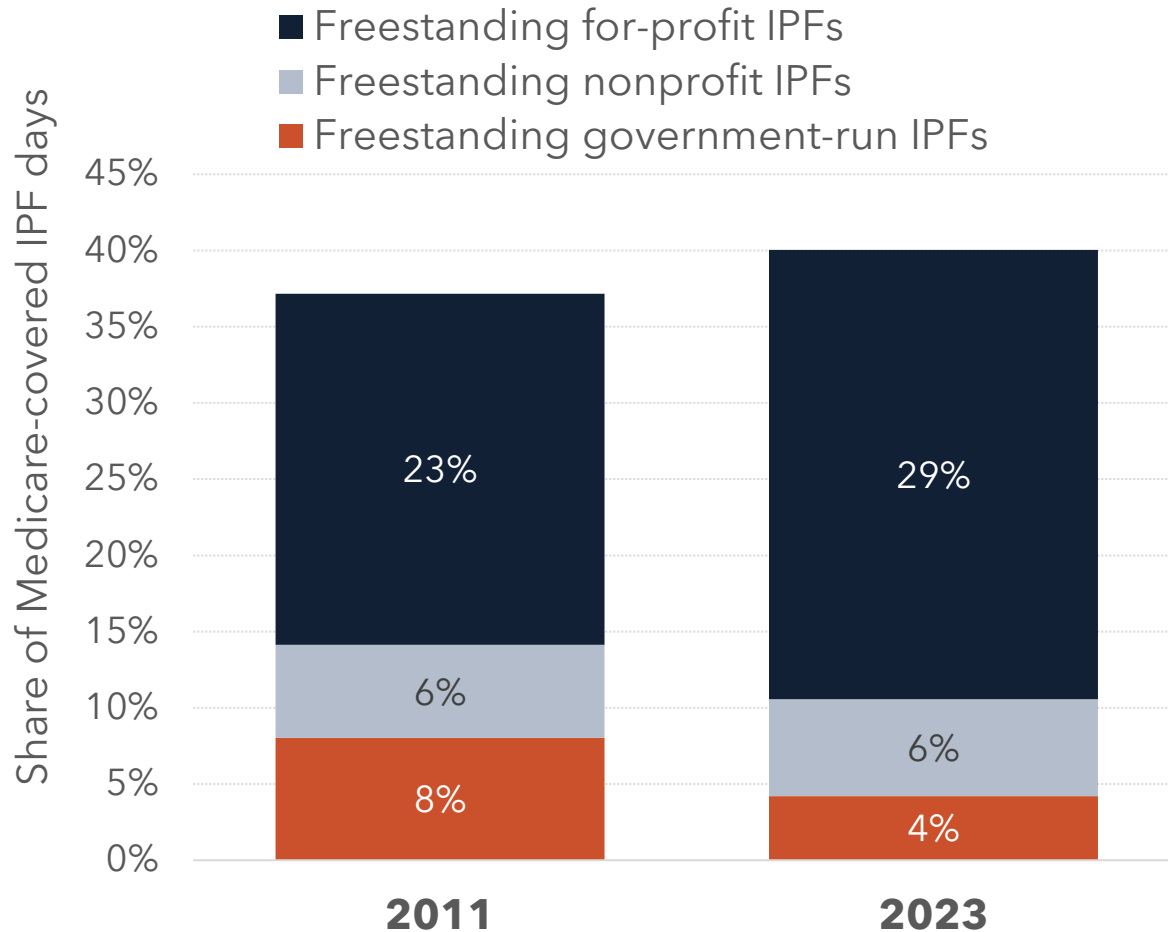
Medicare's coverage limits on care in freestanding IPFs

- Lifetime limit: Maximum of 190 days in freestanding IPFs
- Limit on the initial benefit period: The number of IPF days available during the initial benefit period are reduced by the number of freestanding IPF days used in the prior 150 days
 - Applies to a small number of beneficiaries
- Implemented when Medicare was enacted in 1965, when inpatient psychiatric care was mostly provided by state- and locally run (government) freestanding IPFs

Note: IPF (inpatient psychiatric facility).

Source: Centers for Medicare & Medicaid Services, Department of Health and Human Services. 2017. *Medicare benefit policy manual—Chapter 4: Inpatient psychiatric benefit days reduction and lifetime limitation*. Baltimore, MD: CMS. <https://www.cms.gov/regulations-and-guidance/guidance/manuals/downloads/bp102c04.pdf>.

Government-run IPFs compose a small and declining share of Medicare-covered freestanding IPF days, 2011 and 2023

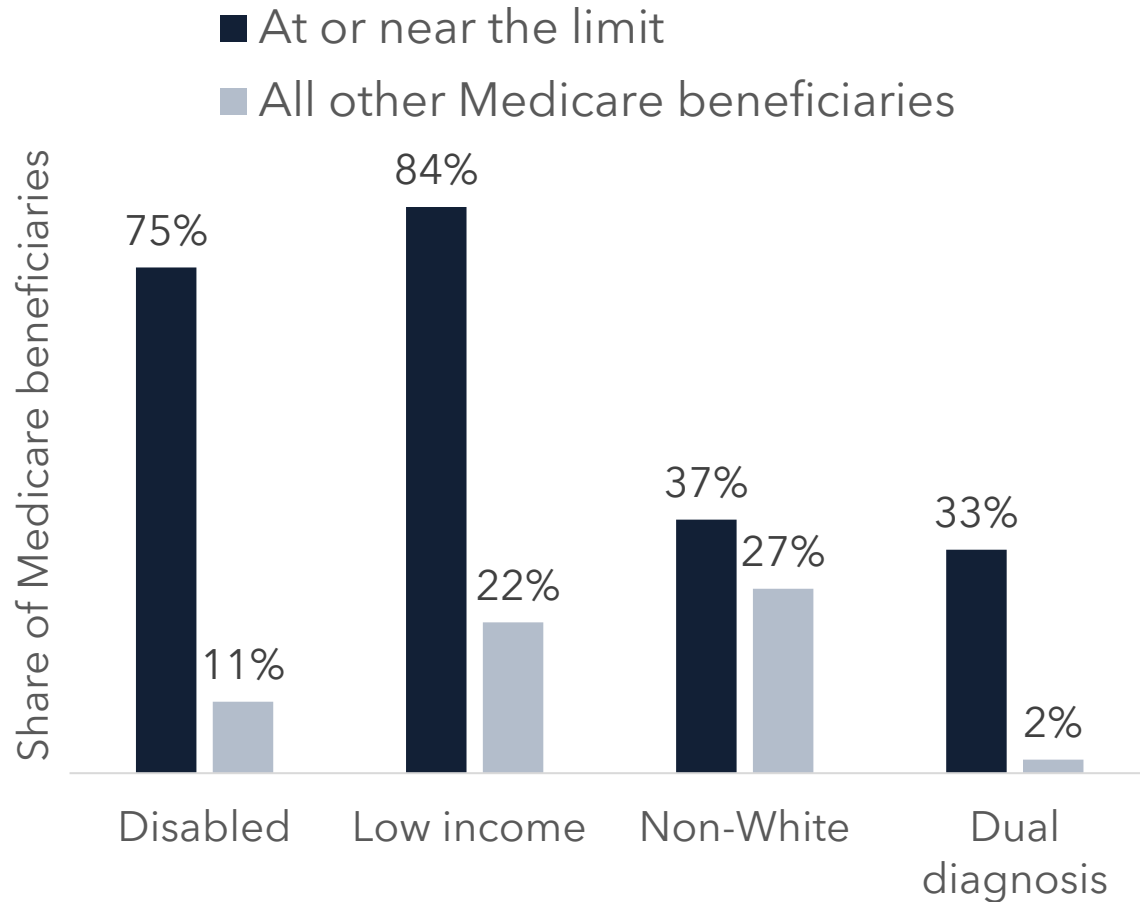


- In 2023, about 40% of all Medicare-covered days were in freestanding IPFs (an increase from 2011)
- Only 4% were in freestanding government-run IPFs, down from 8% in 2011
- Days in freestanding for-profit IPFs grew from 23% in 2011 to 29% in 2023

Note: IPF (inpatient psychiatric facility). "Medicare-covered days" includes both fee-for-service and Medicare Advantage IPF days. The remaining (unshown) share of Medicare-covered IPF days are in hospital-based IPFs.

Source: MedPAC analysis of Medicare cost reports from CMS.

A small but highly vulnerable group of beneficiaries is affected by Medicare's coverage limit on days in freestanding IPFs, 2023

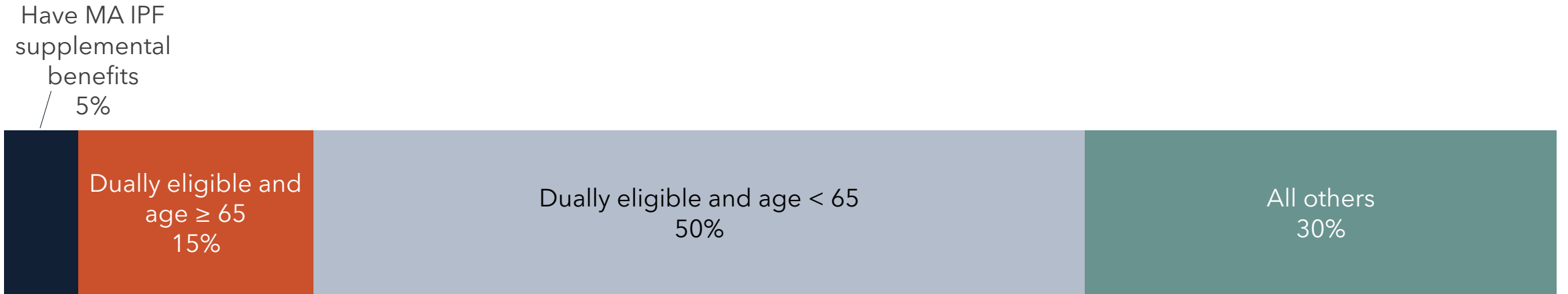


- About 50,000 Medicare beneficiaries were at or near the limit (within 15 days of limit)
- They were highly vulnerable compared with other Medicare beneficiaries (who had no freestanding IPF use since enrollment)

Note: IPF (inpatient psychiatric facility). "At or near the limit" includes beneficiaries within 15 days of exhausting the 190-day limit or had already exhausted the limit. "All other Medicare beneficiaries" includes beneficiaries who had not used any days in a freestanding IPF (but might have used a hospital-based IPF or received psychiatric services in a general acute care hospital). All categories include both fee-for-service (FFS) and Medicare Advantage enrollees in 2023 except for "dual diagnosis," which includes FFS Medicare beneficiaries only. Dual diagnosis was indicated if the FFS beneficiary had either schizophrenia or depressive disorders plus substance use disorders in 2022.

Source: MedPAC analysis of Medicare enrollment and chronic condition warehouse data from CMS.

Many Medicare beneficiaries at or near the limit may lack alternative coverage for freestanding IPF care, 2023



Other insurance may cover additional freestanding IPF days (20%)

May lack coverage for additional freestanding IPF days (80%)

Note: MA (Medicare Advantage), IPF (inpatient psychiatric facility). Medicare beneficiaries who are full-benefit dually eligible and age 65 or older may have Medicaid coverage of additional IPF days beyond the 190-day limit. Dually eligible beneficiaries between ages 18 and 64 may be subject to the “institutions for mental diseases” (IMD) exclusion and have limited coverage through Medicaid beyond the 190-day limit. The IMD exclusion is a policy under which the federal government will not make matching payments to states for services to Medicaid enrollees ages 21 to 64 in an IMD, which is defined as a “hospital, nursing facility, or other institution of more than 16 beds that is primarily engaged in providing diagnosis, treatment, or care of persons with mental diseases, including medical attention, nursing care, and related services” (Social Security Act Sec. 1905(i)). “All others” includes non-full-benefit dually eligible Medicare beneficiaries and non-dually eligible Medicare beneficiaries who are not enrolled in an MA plan with IPF supplemental benefits. These beneficiaries may also have limited coverage beyond the 190-day limit.

Source: MedPAC analysis of Medicare enrollment data and MA plan benefit package data from CMS.

The 190-day limit creates access issues for some beneficiaries with chronic and severe behavioral health conditions

- Patients needing long-term IPF care may have difficulty accessing it
 - Small number of public IPFs and private IPFs may be less able to take patients who have reached the 190-day limit and lack coverage
- IPFs interviewed last year pointed to challenges in treating patients after they reach the limit
- Beneficiaries may obtain inpatient psychiatric care from hospital-based IPFs and general acute care hospitals not subject to the limit
 - Hospital-based IPFs have declined and may not be available
 - General acute care beds may not be appropriate for treating severe behavioral health conditions

Note: IPF (inpatient psychiatric facility).

Source: L & M Policy Research. 2023. *Interviews with inpatient psychiatric facilities*. Report prepared by L & M Policy Research for the Medicare Payment Advisory Commission. Washington, DC: MedPAC; Medicare Payment Advisory Commission (2023). *Report to the Congress: Medicare and the health care delivery system*. Washington, DC: MedPAC. Mechanic, D., and D. Davis. 1990. Patterns of care in general hospitals for patients with psychiatric diagnoses. Some findings and some cautions. *Medical Care* 28, no. 12 (December): 1153-1164.

Estimating effects of 190-day limit on use of inpatient psychiatric services in 2023

- We compared FFS beneficiaries at or near (within 15 days of) the 190-day limit with those further from the limit (16–90 days remaining)
 - To enhance comparability, we included beneficiaries with at least one freestanding IPF stay in the previous five years
 - The two groups were relatively similar in shares of disability, low-income status, and non-White race/ethnicity
- Beneficiaries at or near the limit had, on average, 2.2 fewer covered inpatient psychiatric days overall:
 - 5.2 fewer in freestanding IPFs
 - 2.2 more in hospital-based IPFs
 - 0.8 more in general acute care hospitals

Note: FFS (fee-for-service), IPF (inpatient psychiatric facility). Among FFS Medicare beneficiaries, 14,590 were at or near the limit and had prior freestanding IPF use. This number was 17,770 for those with 16 to 90 days remaining. All differences between the two groups were statistically significant at the 1% level.

Source: MedPAC analysis of Medicare enrollment and Medicare Provider Analysis and Review data from CMS.

Illustrative change in per beneficiary FFS Medicare spending if the 190-day limit were eliminated, 2023

Inpatient psychiatric service setting	Average change in number of covered days per beneficiary	Average per diem FFS Medicare payment	Average change in FFS Medicare payments per beneficiary
Freestanding IPF	5.2	\$800	\$4,200
Hospital-based IPF	-2.2	\$900	-\$2,000
General acute care hospital (scatter-bed stay)	-0.8	\$1,200	-\$930
Total	2.2	N/A	\$1,260

- Assuming an increase of \$1,260 for FFS beneficiaries at or near the limit, Medicare FFS spending would increase by approximately \$40 million
- Other considerations would affect federal spending changes

Note:

FFS (fee-for-service), IPF (inpatient psychiatric facility), N/A (not applicable). Components may not sum to totals due to rounding.

Source:

MedPAC analysis of Medicare enrollment and Medicare Provider Analysis and Review data from CMS.



Draft recommendation

Draft recommendation

The Congress should eliminate both:

- the 190-day lifetime limit on covered days in freestanding inpatient psychiatric facilities and
- the reduction of the number of covered inpatient psychiatric days available during the initial benefit period for new Medicare beneficiaries who received care from a freestanding inpatient psychiatric facility on and in the 150 days prior to their date of Medicare entitlement.

Implications

Spending

Relative to current law, would increase federal spending by less than \$50 million in one year and by less than \$1 billion over five years

Beneficiary and provider

Would improve beneficiaries' access to inpatient psychiatric care by increasing freestanding IPFs' willingness and ability to treat beneficiaries with chronic and severe behavioral health conditions

Importance of continuing work to address the needs of Medicare beneficiaries with severe behavioral health conditions

- Concerns about the quality of care in some freestanding IPFs
 - Greater transparency needed to understand services provided by IPFs
 - Lack of information on the mix and type of staffing in IPFs and how time is spent across tasks
- Challenges in transitions from IPFs to the community
 - Our prior analyses using 2018 data showed high rates of ED and hospital admissions in the 30 days following IPF discharge (29%, unadjusted)
 - Difficulty in obtaining appropriate follow-up care in the community (interviewees noted the difficulty in obtaining psychiatrist visits)

Note: IPF (inpatient psychiatric facility), ED (emergency department).

Source: Department of Justice. 2024. *Acadia Healthcare Company Inc. to pay \$19.85M to settle allegations relating to medically unnecessary inpatient behavioral health services*. Washington, DC: DOJ. <https://www.justice.gov/opa/pr/acadia-healthcare-company-inc-pay-1985m-settle-allegations-relating-medically-unnecessary>; Department of Justice. 2020. *Universal Health Services Inc. and related entities to pay \$122 million to settle False Claims Act allegations relating to medically unnecessary inpatient behavioral health services and illegal kickbacks*. Washington, DC: DOJ. <https://www.justice.gov/opa/pr/universal-health-services-inc-and-related-entities-pay-122-million-settle-false-claims-act>; Medicare Payment Advisory Commission. 2023. *Report to the Congress: Medicare and the health care delivery system*. Washington, DC: MedPAC; L & M Policy Research. 2023. *Interviews with inpatient psychiatric facilities*. Report prepared by L&M Policy Research LLC for the Medicare Payment Advisory Commission. Washington, DC: L & M Policy Research LLC.

Forthcoming improvements to the IPF prospective payment system and quality reporting program

- Greater enforcement of requirements for reporting ancillary services (FY 2025)
- Collection and reporting of patient experience survey data (FY 2026)
- Reporting of risk-adjusted emergency department use in the 30 days after discharge (FY 2027)
- Collection of patient assessment information (FY 2028)

We will continue to monitor use, spending, and quality of care in IPFs

Note: IPF (inpatient psychiatric facility), FY (fiscal year).

Source: Centers for Medicare & Medicaid Services, Department of Health and Human Services. 2024. Medicare program; FY 2025 inpatient psychiatric facilities prospective payment system–rate update. Final action. *Federal Register* 89, no. 152 (August 7): 64582–64675.

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