

INSIDE ADDRESS

Dear Addressee:

Thank you for agreeing to participate in the Center for Medicare and Medicaid Services' (CMS) Technical Expert Panel (TEP) for the project "Design, Development and Implementation of a Prospective Payment System for Inpatient Psychiatric Hospitals and Exempt Units." We anticipate convening approximately three meetings in the Baltimore/Washington DC area over the next two years, and working with you and your organization between meetings to get input on the project's products as we proceed. The TEP will be our primary method for sharing information with interested individuals and organizations. We also hope to use the TEP process to create a broad-based mechanism for gathering input to help shape the system and help plan for its implementation. To this goal, each TEP participant will be asked to assist in disseminating information to their organization's members, and also to act as a focal point for channeling to our project team the recommendations and your concerns and perhaps those of your organization's members. Your assistance in helping us to identify individuals with particular expertise and experience may also be requested. In the past, such a TEP process has greatly enhanced the quality of our products and as our ability to craft policy that meet both regulatory and industry needs for an appropriate system.

Our initial TEP meeting will be held on Thursday, April 4th and Friday April 5th, 2002. The meeting will run from 1pm to 5 pm on the 4th, and continue from 9 am until noon the following day. It will be held at one of the CMS buildings in Baltimore, Maryland - we'll provide information and a map in a latter mailing. For those coming from out of town, we are prepared to cover your travel expenses to this meeting. This would include coach class airfare or equivalent, hotel (for most of you, I would assume this would be for one night) and meal costs up to a government-set limit of \$152 per day (\$110 lodging plus \$42 for meals and incidental expenses). You should plan to arrange your own travel plans and keep all receipts; we will provide information at the meeting on how to obtain reimbursement. Please contact Adrienne Rosenberg (see contact information below) if you have questions or would like information on hotels in the area.

As we discussed in our initial call to you, if travel to the Baltimore area will be inconvenient, we would be willing to explore other options. Please contact Adrienne Rosenberg (again, see contact information below) if you would like to discuss this possibility.

We want this meeting to be a working session in which we will focus primarily on the design of the assessment tool to be used for the upcoming field study. We will also discuss with you the research we have done to date to examine the structure of inpatient psychiatric re, examine current case-mix systems for psychiatry and develop criteria for a good system, and discuss our next steps. A preliminary agenda, listing of TEP members, and a summary of the project are all attached. If you have any additional agenda items, please tell us. We will plan to provide you with additional material for your review approximately a week prior to the meeting.

If you have any information that you consider relevant to this project's work – for example, research into case mix or types of psychiatric patients – please provide it to us so that we can include it in the package we mail to everyone before the meeting.

Please confirm your intent to attend this meeting with Adrienne Rosenberg at telephone (617)363-8494, Fax (617)363-8936, or e-mail: arosenberg@mail.hrca.harvard.edu. At this time, please also correct any errors in the

Membership List and forward your travel plans, when they are known. If you have any other questions, please contact Brant Fries at (734)936-2107.

Again, we appreciate your willingness to be a part of this initiative. On behalf of our project team, we look forward to meeting with you next month.

Sincerely,

Brant E. Fries, Ph.D.
Principal Investigator

Attachments: Preliminary Agenda
Project description

**Design, Development and Implementation of a Prospective Payment System for
Inpatient Psychiatric Hospitals and Exempt Units.**

Technical Expert Panel Meeting

PRELIMINARY AGENDA

April 4, 2002 (1:00 PM to 5:00 PM)

Introductions

Overview of Project

Charge, Tasks and Timetable

Goals for TEP Meeting

Analytic Results

Overview of Psychiatric Inpatient Care from the Medicare Standard Analytic Files

Results from Interviews of Psychiatric Hospital regarding available data

Implications for design of payment system

Overview of Work Group Meeting

Review of approach

Summary of Findings

Research Instrument

Review of Psychiatric Case-mix Systems (continued next day, as needed)

Presentation of existing systems (Project Team and TEP members)

Criteria for Case-Mix Systems

April 5, 2002 (9:00 AM to 12 Noon)

Plans for day

Review of Draft Research Instrument

Plans for next steps

Adjournment

**Design, Development and Implementation of a Prospective Payment System for
Inpatient Psychiatric Hospitals and Exempt Units**

Technical Expert Panel

**List of Participants
DRAFT**

Mark Blaise, PsyD
Massachusetts General Hospital

Mark Covall,
National Association of Psychiatric Health Systems

Brian Ellsworth
American Hospital Association

Susan Ettner, PhD
University of California/Los Angeles

Richard Frank, PhD
Harvard Medical School

Nancy Hanrahan, RN
American Psychiatric Nurses Association

Brian Hepburn, MD
National Association of State Mental Health Program
Directors

Richard Hunter, PhD
Clinical Outcomes Group

Ralph Ibson
National Mental Health Association

Sally Kaplan, PhD
Medicare Payment Advisory Commission

Jimmy Kong
National Association of Reimbursement Officers

Judith Lave, PhD
University of Pittsburgh

Thomas McGuire, PhD
Boston University

Lloyd Sederer, MD
American Psychiatric Association

Carole Siegel, PhD
Nathan Institute For Psychiatric Research, New York
University

Mark Stein
National Association of County Behavioral Health
Directors

Theodore Stern, MD
Massachusetts General Hospital, Harvard University

Janet Williams, DSW
Columbia University, New York State Psychiatric
Institute

Design, Development and Implementation of a Prospective Payment System for Inpatient Psychiatric Hospitals and Exempt Units

PROJECT SUMMARY

In September 2000, the University of Michigan, through the Michigan Public Health Institute, was awarded a contract by the Centers for Medicare and Medicaid Services (CMS) to design, develop, test and aid in the implementation of a prospective payment system for inpatient psychiatric care funded by Medicare. This effort will form the basis for CMS's Prospective Payment System (PPS) for psychiatric care provided to Medicare patients in free-standing psychiatric hospitals and psychiatric units in acute care hospitals, and CMS's required reports to Congress as mandated under Public Law 103-113. The PPS will be based on a case-mix measurement system, also to be developed under this project, which classifies patients according to the expected cost of their care.

Approximately 13% of Americans are eligible for Medicare (Surgeon General, 1999). Currently, CMS pays under Medicare for inpatient psychiatric care in psychiatric hospitals up to a 190-day lifetime limit per beneficiary. In 1996, Medicare contributed approximately \$4 billion to pay for 42% of all patients in psychiatric facilities. Although case-mix PPS has been in place for patients in acute care hospitals since 1983, psychiatric hospitals and units have been excluded. Inpatient psychiatric facilities are defined as hospitals focused primarily on providing psychiatric care for the mentally ill. Psychiatric units are defined as distinct functioning entities within general hospitals; they are located in a separate area, and manage their own financial and administrative affairs. Under the current payment system, these exempt facilities and units are paid on a reasonable cost basis, limited by a ceiling on the rate of cost growth. Payment is undifferentiated by diagnosis, severity of illness, or the cost of caring for patients with greatly differing needs for care. In 1999, Congress passed Public Law 103-113, mandating a new per-diem payment system that will include "case-mix adjustment," to be implemented by October 1, 2002.

There will be six major tasks under this project:

- Profile the inpatient facilities providing psychiatric care and their patients.
- Develop a research assessment instrument that will provide the characteristics of psychiatric patients to understand the costs of their care.
- Collect data describing psychiatric patients using this instrument and merge these data with Medicare billing information that can provide the costs of their care; then use these merged data to develop a patient classification system that predicts care costs, and, finally, recommend the minimum number of assessment items necessary for such classification.
- Perform analysis and make recommendations for potential refinements of the Psychiatric Prospective Payment System what will reimburse facilities fairly and equitably for the care of psychiatric patients, adjusted for the severity of their illness and the intensity of their care.
- Recommend to CMS how and on what schedule future projects could address necessary refinement to the PPS, including the assessment tool and the case-mix system.
- Recommend to CMS how the PPS can be monitored over time to assure that it is operating appropriately, fairly, and accurately.

In accomplishing these tasks, the project team will work closely with CMS staff, clinical consultant panels, and a project Technical Expert Panel (TEP) including representatives from the industry and patient advocacy groups.

The project team includes: Brant E. Fries, Ph.D. (University of Michigan) as the Principal Investigator, with John N. Morris, Ph.D., MSW, (Hebrew Rehabilitation Center for Aged), Terry Rabinowitz, M.D. (University of Vermont), and John P. Hirdes, Ph.D., (University of Waterloo and Homewood Research Institute, Ontario) as Co-Investigators.