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Insights

A Time to Change

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On August 2, 2023, CMS published the fiscal year 2024 Inpatient Psychiatric Facilities Prospective Payment System ("IPF PPS") **Final Rule**. One of the included regulatory changes was to the permitted timing for a hospital to convert a rehabilitation or psychiatric unit from "non-excluded" to "excluded." This change, according to CMS, was intended to address the growing need for inpatient psychiatric beds and services by giving hospitals greater flexibility to open and operate excluded units. This change is a significant win for hospitals seeking to expand their psychiatric services after October 1, 2023.

Currently, a hospital's rehabilitation or psychiatric unit can only become excluded from the Medicare acute inpatient prospective payment system ("IPPS"), whether as a new unit or an existing unit changed from non-excluded to excluded, at the start of the hospital's cost report year. Hospitals have long viewed this restriction as being unnecessary and a barrier to expanding psychiatric care in their facilities. For example, a hospital's failure to complete construction of a new psychiatric unit by the start of a cost report year can lead to a significant revenue loss due to the fact that such hospital is unable to be paid under the IPF PPS until the start of the next cost reporting period.

The Final Rule revises this and allows a unit to change from not excluded to excluded, at any time during a cost report period, as long as the hospital notifies the fiscal intermediary and the CMS Regional Office, in writing of the change at least 30 days before the date of the change. Note, even though a unit can change its excluded status at any time during the year under this rule change, the change must remain in the effect for the remainder of the cost report year.

This Final Rule is effective October 1, 2023.

For questions regarding Medicare reimbursement of rehabilitation and psychiatric units, or this regulatory change, please contact **Meghan M. Linvill Mcnab** or **Brandon W. Shirley**.

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