

## **Medicare Psychiatric Admissions**

*In 2005, Medicare implemented a new prospective payment system for inpatient psychiatric facilities (IPF PPS). This project analyzed Medicare psychiatric admissions between 1987 and 2004. Special attention was given to differences in use of inpatient psychiatric care by aged and non-aged disabled Medicare beneficiaries. Analysis of Medicare psychiatric inpatient claims for 1987-2004 provides insights into future experience post-IPF PPS.*

### **Lead Agency:**

Centers for Medicare & Medicaid Services (CMS)

### **Agency Mission:**

The mission of CMS is to administer the Medicare, Medicaid, and State Children's Health Insurance Programs and to promote quality care for beneficiaries.

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### **General Description:**

In 2005, Medicare implemented a new prospective payment system for inpatient psychiatric facilities (IPF PPS). This analysis of Medicare psychiatric hospital stays begins in 1987, soon after the 1983 implementation of the DRG-based inpatient hospital prospective payment system (IPPS). It continues through 2004 -- the last year in which freestanding psychiatric hospitals and psychiatric units within short-stay general hospitals were paid under the cost-based TEFRA system. The factors that influenced utilization of psychiatric inpatient care in the pre-IPF PPS past provide the basis for hypotheses about the impact of the IPF PPS and future trends in this Medicare benefit.

Medicare pays for psychiatric inpatient care in three provider settings -- freestanding psychiatric hospitals, short stay general hospital certified psychiatric units, and short stay general hospital beds (either as "scatterbeds" or uncertified psychiatric units). As noted earlier, the first two types of providers were exempted from the IPPS and paid under the cost-based TEFRA system until 2005. Uncertified units and scatterbeds have been paid under the DRG-based IPPS from its inception. Hospitals and units specializing in alcohol and drug treatment were exempt from the IPPS until 1988 when, following some refinement of the alcohol and drug DRGs, they were brought under the IPPS.

Medicare payment policy has the potential to affect the utilization of psychiatric inpatient care in several ways. The use of different Medicare inpatient payment systems for different provider settings is very likely to affect how providers organize care. Differences in payment units, such as per case payments under the IPPS and per diem payments under the IPF PPS, provide different incentives. Differences in relative payment levels for these settings may also influence their relative utilization. Broader impacts are also possible. Relative Medicare payments for inpatient versus outpatient care may influence care choices between inpatient and community-based services. Finally, Medicare coverage and payment for psychiatric inpatient care may encourage its utilization versus comparable utilization in long-term care residential settings not covered by Medicare.

Medicare payment policy was only one of many factors that influenced psychiatric admissions between 1987 and 2004. In order to identify other factors, the study first decomposes admission trends into components representing changes in the number of beneficiaries, the rate of service use by beneficiaries, and the number of admissions per user. This part of the analysis also determines how various groups of Medicare beneficiaries were differentially affected by these factors. Second, the study examines the changes in care delivery patterns that resulted from the interaction of Medicare payment incentives and the factors identified in the first part of the study. The paper concludes with a discussion of the potential implications of these results for the delivery of Medicare psychiatric inpatient care in the future.

***Excellence:*** What makes this project exceptional?

The study uses analysis of trends over 17-year period to pose questions about future developments in inpatient psychiatric care for Medicare beneficiaries.

***Significance:*** How is this research relevant to older persons, populations and/or an aging society?

Psychiatric care for the elderly has received less attention than psychiatric care for the chronically mentally ill population. This study highlights differences between the elderly and the chronically mentally ill in terms of their mental health conditions and care delivery patterns.

***Effectiveness:*** What is the impact and/or application of this research to older persons?

The study shows that the growth of psychiatric units within general hospitals was a significant source of inpatient care for elderly dementia patients. The study asks whether Medicare's inpatient psychiatric facility payment system implemented in 2005 will alter the care delivery pattern that developed under the earlier payment system.

***Innovativeness:*** Why is this research exciting or newsworthy?

This study is the first publication to summarize trends in inpatient psychiatric care during recent decades in a way that provides a context for future research.