

CHAMPVA POLICY MANUAL

CHAPTER 3
SECTION 8.1
TITLE: MENTAL HEALTH PER DIEM

AUTHORITY: 38 CFR 17.270(a)(b) and 17.273-278

RELATED AUTHORITY: 32 CFR 199.14(a)

I. DEFINITIONS

The per diem rate is a reimbursement methodology that calculates based on the daily rate times the number of days (length of stay).

II. POLICY

A. The inpatient mental health per diem payment system is used to reimburse for inpatient mental health hospital care in specialty psychiatric hospitals and psychiatric units of general acute hospitals that are exempt from the DRG-based payment system.

1. The system uses two sets of per diems. One set of per diems applies to psychiatric hospitals and psychiatric units of general acute hospitals that have a relatively high number (25 or more per federal fiscal year) of mental health discharges. For higher volume hospitals and units, the system uses hospital-specific per diem rates. The other set of per diems applies to psychiatric hospitals and units with a relatively low number (less than 25 per federal fiscal year) of mental health discharges.

2. Low and high volume hospital classifications are determined by TRICARE and based on their data regarding mental health discharges in a fiscal year.

B. CHAMPVA uses TRICARE's mental health per diem rates. The mental health per diem rate is obtained annually from TRICARE (annual publication in the Federal Register of mental health rate updates).

C. The inpatient mental health per diem payment system applies to services covered that are provided in Medicare prospective payment system (PPS) exempt psychiatric hospitals and Medicare PPS exempt psychiatric specialty units of other hospitals. In addition, any psychiatric hospital that does not participate in Medicare, or any other hospital that has a psychiatric unit that

has not been designated for exemption from the Medicare PPS because the hospital does not participate in Medicare, must be designated as a psychiatric hospital or psychiatric specialty unit for purposes of the inpatient mental health per diem payment system upon demonstrating that it meets the same Medicare criteria. The inpatient mental health per diem payment system does not apply to mental health services provided in non-psychiatric hospitals or non-psychiatric units. Substance use disorder rehabilitation facilities would not be reimbursed under the inpatient mental health per diem payment system.

D. DRGs. All psychiatric hospital and psychiatric unit inpatient claims that are classified into a mental health DRG of 425 through 432 or a substance use disorder DRG of 433, DRGs 521 - 523, and DRGs 900 and 901 are subject to the TRICARE inpatient mental health per diem payment system.

E. Medical education adjustment. A direct medical education adjustment factor of 12% is included in the same manner as in the DRG-based payment system and applied to the applicable regional per diem rate for each day of the admission for low volume mental health calculations. There is no adjustment for high volume mental health calculations.

III. POLICY CONSIDERATIONS

A. Payment for Hospital Based Professional Services. Hospital based professional services are not to be billed separately as the payment for those services is included in the per diem rate.

B. Patient Absences. Payment will not be made for holding charges for days that the patient is absent on leave from the psychiatric hospital or unit (including therapeutic absences). The hospital must identify these days when claims are submitted for reimbursement.

VI. EXCLUSIONS

A. Providers of inpatient care that are neither psychiatric hospitals nor psychiatric units are exempt from the inpatient mental health per diem payment system.

B. Billed charges. The allowable costs for authorized care in all hospitals not subject to the DRG-based payment system or the inpatient mental health per diem payment system will be determined on the basis of cost-to-charge (billed charges).

C. Services that group into DRG 424. Admissions to psychiatric hospitals and units for operating room procedures involving a principal diagnosis of mental illness (services grouped into DRG 424) are exempt from the inpatient mental health per diem payment system. These services will be reimbursed using the cost-to-charge (billed charge) reimbursement methodology.

D. Non-mental health procedures. Admissions for non-mental health procedures that group into DRG 1 through 423, 439 through 494, and 600 through 636 in specialty psychiatric hospitals and units are exempt from the inpatient mental health per diem payment system. These services will be reimbursed using the cost-to-charge (billed charge) reimbursement methodology.

E. Sole community hospital. Any hospital that qualified under Medicare as a sole community hospital is exempt from the inpatient mental health per diem payment system and subject to the cost-to-charge (billed charge) reimbursement methodology.

F. Hospitals outside the 50 states, the District of Columbia, or Puerto Rico are exempt from the inpatient mental health per diem payment system and subject to the cost-to-charge (billed charge) reimbursement methodology (see Chapter 3, Section 6.3, Cost-To-Charge (CTC Payment System)).

END OF POLICY