



Inpatient Psychiatric Facility
Program for Evaluating Payment
Patterns Electronic Report

User's Guide
Tenth Edition



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Tenth Edition, effective with the Q4FY20 release

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Introduction

What Is PEPPER?

The Office of Inspector General encourages hospitals to develop and implement a compliance program to protect their operations from fraud and abuse.^{1,2} As part of its compliance program, a hospital should conduct regular audits to ensure charges for Medicare services are correctly documented and billed. The Program for Evaluating Payment Patterns Electronic Report (PEPPER) can help guide hospitals' auditing and monitoring activities.

PEPPER is a comparative data report that contains a single hospital's claims data statistics for Medicare-Severity Diagnosis-Related Groups (MS-DRGs) and discharges at high risk for improper payment due to billing, coding, and/or admission necessity issues. Each PEPPER contains statistics for each area at risk for improper payments, which are referred to in the report as "target areas." Data in PEPPER is presented in tabular form and in graphs that depict the hospital's target area percentages over time. PEPPER also includes reports on the hospital's top diagnosis-related groups (DRGs) by volume of discharges. PEPPER is developed and distributed by the RELI Group, along with its partners TMF® Health Quality Institute and CGS, under contract with the Centers for Medicare & Medicaid Services (CMS).

All of the data tables, graphs, and reports in PEPPER were designed to assist hospitals in identifying potential overpayments and potential underpayments.

PEPPER is available for inpatient psychiatric facilities (IPFs), as well as critical access hospitals, short- and long-term acute care inpatient prospective payment system (IPPS) hospitals, inpatient rehabilitation facilities, hospices, partial hospitalization programs, and skilled nursing facilities. The *IPF PEPPER* is the version of PEPPER specifically for IPFs and inpatient psychiatric distinct part units of acute care and

PEPPER does not identify the presence of improper payments, but it can be used as a guide for auditing and monitoring efforts. A hospital can use PEPPER to compare its claims data over time to identify areas of potential concern:

- Significant changes in billing practices
- Possible over- or under-coding

critical access hospitals. **In PEPPER and throughout this guide, free-standing IPFs and distinct part units of acute care and critical access hospitals are grouped together and referred to collectively as IPFs.**

IPFs, in general, are defined as hospitals that provide psychiatric services for the diagnosis and treatment of patients with mental illness. IPFs are reimbursed through the IPF prospective payment system (PPS). Each *IPF PEPPER*

summarizes statistics for the most recent twelve federal fiscal quarters, aggregated in three 12-month time

¹ Department of Health and Human Services/Office of Inspector General. 1998. "Compliance Program Guidance for Hospitals," *Federal Register* 63, no. 35, Feb. 23, 1998, 8987–8998. Available at: <http://oig.hhs.gov/authorities/docs/cpghosp.pdf>

² Department of Health and Human Services/Office of Inspector General. 2005. "Supplementing the Compliance Program Guidance for Hospitals," *Federal Register* 70, no. 19, Jan. 31, 2005, 4858–4876. Available at: <http://oig.hhs.gov/fraud/docs/complianceguidance/012705HospSupplementalGuidance.pdf>

periods. An IPF is compared to other IPFs in three comparison groups: the nation, MAC jurisdiction, and state. These comparisons enable an IPF to determine whether it is an outlier, differing from other IPFs.

PEPPER determines outliers based on preset control limits. The upper control limit for all target areas is the national 80th percentile. Coding-focused target areas also have a lower control limit, which is the national 20th percentile. PEPPER draws attention to any findings that are at or above the upper control limit or at or below the lower control limit.

Note that in PEPPER, the term “outlier” is used when the IPF’s target area percent is in the top 20% of all IPF target area percents in the respective comparison group (i.e., is at/above the 80th percentile) or is in the bottom 20% of all IPF target area percents in the respective comparison group (i.e., is at/below the 20th percentile [for coding-focused target areas]). Formal tests of significance are not used to determine outlier status in PEPPER.

In order to be included in the *IPF PEPPER*, claims must meet the below specifications.

INCLUSION/EXCLUSION CRITERIA	DATA SPECIFICATIONS
IPFs or distinct part units of acute care or critical access hospitals	Third through sixth positions of the CMS Certification Number are between “4000” and “4499” (for freestanding facilities) or third position = “S” (short-term) or “M” (critical access)
Services provided during the time periods included in the report	Claim “Through Date” (discharge date) falls within the three fiscal years included in the report
Claim with valid medical record number	UB-04 FL 03a or 03b is not null (blank)
Medicare claim payment amount greater than zero	The hospital received a payment amount greater than zero on the claim (Note that Medicare Secondary Payer claims are included)
Final action claim	The patient was discharged; exclude claim status code “still a patient” (30) in UB-04 FL 17
Exclude Health Maintenance Organization claims	Exclude claims submitted to a Medicare Health Maintenance Organization
Exclude cancelled claims	Exclude claims cancelled by the MAC

The IPF PEPPER is available to the IPF’s Chief Executive Officer, Administrator, President, Quality Assurance and Performance Improvement Officer, or Compliance Officer through a secure portal on the PEPPER.CBRPEPPER.org website. Each IPF receives only its PEPPER. The PEPPER Team does not provide PEPPERS to other contractors, although the PEPPER Team does provide a Microsoft Access database (the First-Look Analysis Tool for Hospital Outlier Monitoring [FATHOM]) to MACs and Recovery Auditors. FATHOM can be used to produce a PEPPER.

IPF PEPPER CMS Target Areas

In general, the target areas are constructed as ratios and expressed as percents; the numerators represent discharges that may be identified as problematic. For example, admission necessity-focused target areas generally include in the numerator the claims that have been identified as prone to unnecessary admissions, and the denominator generally includes all discharges. Coding-related target areas generally include in the numerator the discharges that have been identified as prone to DRG coding errors, and the denominator includes these discharges as well as a larger comparison group.

The IPF PEPPER target areas are defined in the table below.

TARGET AREA	TARGET AREA DEFINITION
Comorbidities	<p><i>Numerator (N):</i> count of discharges with at least one comorbidity on the claim</p> <p><i>Denominator (D):</i> count of all discharges</p> <p>Note: The IPF PPS Comorbidity Categories and associated International Classification of Diseases, 10th Revision, Clinical Modification (ICD-10-CM) diagnosis codes are available in the “Downloads” section at: https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientPsychFacilPPS/tools.html</p>
No Secondary Diagnoses	<p><i>N:</i> count of discharges with no secondary diagnosis codes</p> <p><i>D:</i> count of all discharges</p>
Outlier Payments	<p><i>N:</i> sum of outlier approved amounts, in dollars</p> <p><i>D:</i> sum of Medicare reimbursement for all discharges, in dollars</p>
3- to 5-Day Readmissions	<p><i>N:</i> count of index (first) admissions during the 12-month time period for which a readmission occurred within three to five calendar days (four to six consecutive days) to the same IPF or to another IPF for the same beneficiary (identified using the Health Insurance Claim number)</p> <p><i>D:</i> count of all discharges excluding patient discharge status code 20 (expired)</p> <p>(See Appendix 1 for how readmissions are identified.)</p>
30-Day Readmissions	<p><i>N:</i> count of index (first) admissions during the 12-month time period for which a readmission occurred within 30 days to the same IPF or to another IPF for the same beneficiary (identified using the Health Insurance Claim number), excluding patient discharge status code 65 (discharged/transferred to a psychiatric hospital or psychiatric distinct part unit), 93 (discharged/transferred to a psychiatric hospital/unit with a planned acute care hospital readmission), 07 (left against medical advice)</p> <p><i>D:</i> count of all discharges excluding patient discharge status codes 65, 93, 07, 20</p> <p>(See Appendix 1 for how readmissions are identified.)</p>

These PEPPER target areas were approved by CMS because they have been identified as potentially prone to improper Medicare payments in IPFs.

IPFs receive payment adjustments for a number of comorbid conditions. If IPFs have a large percentage of patients with comorbidities, it could be an indication of potential over-coding. If IPFs have a very low percentage of patients with comorbidities, it could be an indication of potential under-coding. Providers may expect to have a high or low percent for this target area, depending on their patient population or on whether their billing system allows the coding of comorbidities.

Claims should include the appropriate selection of the principal diagnosis as well as other additional and coexisting diagnoses. Coding guidelines specify that “all of a patient’s coexisting or additional diagnoses” should be reported on the claim to provide accurate information about the beneficiaries receiving services.

If IPFs do not code secondary diagnoses on the claim, they may not be coding comorbidities, and reimbursement may be affected. To address this concern, one target area focuses on the percentage of claims for discharges with only one diagnosis coded.

IPFs receive outlier payments for hospital stays that have extraordinarily high costs.

When a patient is discharged from an IPF and readmitted to the same or another IPF before midnight of the third consecutive day (second calendar day) following discharge, the readmission is considered to be an interrupted stay, and it is treated as one discharge for the purposes of payment. If the patient is readmitted after midnight of the third consecutive day, the IPF receives two separate DRG payments. The *3- to 5-Day Readmissions* target area measures the possibility of IPFs postponing readmissions to their facility until the third through fifth calendar days (fourth through sixth consecutive days) following discharge, which would result in them receiving two DRG payments. The table below provides examples of how consecutive days and calendar days are considered for readmissions.

Date of discharge:	January 1					
Date of readmission:	January 1	January 2	January 3	January 4	January 5	January 6
Consecutive day(s):	1	2	3	4	5	6
Calendar day(s):	0	1	2	3	4	5

In general, readmissions to the same IPF may be associated with premature discharge or incomplete care. Both readmission-focused target areas can help hospitals assess this risk.

How IPFs Can Use PEPPER Data

The *IPF PEPPER* allows IPFs to compare their billing statistics with national, jurisdiction, and state percentile values for each target area with reportable data for the most recent three 12-month time periods included in PEPPER.

“Reportable data” in PEPPER means there are 11 or more numerator discharges for a given target area for a given time period. When there are fewer than 11 numerator discharges for a target area for a time period, statistics are not displayed in PEPPER due to CMS data restrictions.

To calculate percentiles, the target area percents for all IPFs with reportable data for each target area and each time period are ordered from highest to lowest. The target area percent below which 80% of all IPFs’ target area percents fall is identified as the 80th percentile. IPFs whose target percents are at or above the 80th percentile (i.e., in the top 20%) are considered at risk for improper Medicare payments. Similarly, for areas at risk for under-coding, IPFs whose target percents are at or below the 20th percentile (i.e., in the bottom 20%) are considered at risk for improper Medicare payments. Percentiles are calculated for each of the three comparison groups (i.e., nation, jurisdiction, and state).

The PEPPER Team has developed suggested interventions that IPFs may consider when assessing their risk for improper Medicare payments. Please note that these are generalized suggestions and will not apply to all situations. For all areas, assess whether there is sufficient volume (i.e., 10 to 30 cases for the time period, depending on the hospital’s total discharges) to warrant a review of cases. If your facility always has a small volume of cases, numbers varying significantly from the norm could be important and warrant a review. The following table can assist IPFs with interpreting their percentile values, which are indications of possible risk of improper Medicare payments.

TARGET AREA	SUGGESTED INTERVENTIONS FOR HIGH OUTLIERS (IF AT/ABOVE 80 TH PERCENTILE)	SUGGESTED INTERVENTIONS FOR LOW OUTLIERS (IF AT/BELOW 20 TH PERCENTILE)
<i>Comorbidities</i>	This could indicate potential over-coding. A sample of medical records with comorbidities coded should be reviewed to determine whether coding errors exist.	This could indicate that there are coding errors related to under-coding of comorbidities, or it could be related to under-coding of secondary diagnosis codes (i.e., comorbidities that occur subsequent to admission). A sample of medical records without comorbidities should be reviewed to determine whether coding errors exist. Remember to ensure that the documentation supports any comorbid conditions. A coder may need to seek clarification about the clinical significance of findings from the physician. Ensure that physicians are aware that they should document the complete clinical status of the patient, rather than just the clinical findings related to the patient’s psychiatric care.
<i>No Secondary Diagnoses</i>	This could indicate that secondary and/or comorbid conditions are not being coded. The IPF should review medical records for claims with no secondary diagnoses coded to ensure that all secondary and/or comorbid conditions that are substantiated by documentation in the medical record are correctly coded and included on the claim. Remember that in order for a diagnosis to be coded it must be substantiated by documentation. A coder should not code based on laboratory or radiological findings without seeking a physician’s determination of the clinical significance of the abnormal finding. Consider whether the use of a physician query would have substantiated a secondary/comorbid condition.	Not applicable.

TARGET AREA	SUGGESTED INTERVENTIONS FOR HIGH OUTLIERS (IF AT/ABOVE 80 TH PERCENTILE)	SUGGESTED INTERVENTIONS FOR LOW OUTLIERS (IF AT/BELOW 20 TH PERCENTILE)
<i>Outlier Payments</i>	This indicates that a higher percentage of the facility's Medicare reimbursement is due to outlier payments. Claims with a high outlier payment dollar amount should be reviewed to ensure treatment provided was medically necessary.	Not applicable; a low percentage of outlier payments is not a concern.

TARGET AREA	SUGGESTED INTERVENTIONS FOR HIGH OUTLIERS (IF AT/ABOVE 80 TH PERCENTILE)	SUGGESTED INTERVENTIONS FOR LOW OUTLIERS (IF AT/BELOW 20 TH PERCENTILE)
<p><i>3- to 5-Day Readmissions</i></p>	<p>This could indicate that patients are being discharged prematurely or that patients are being readmitted after the interrupted stay threshold, thereby qualifying for two separate DRG payments. A sample of readmission cases should be reviewed to identify the appropriateness of admission, discharge, quality of care, post-discharge care, DRG assignment, and billing errors. The hospital is encouraged to generate data profiles for readmissions to their facility within three to five days (four to six consecutive days). Suggested data elements to include in these profiles are as follows: patient identifier, date of admission, date of discharge, patient discharge status code, principal and secondary diagnoses, procedure code(s), and DRG. Patients discharged home (patient discharge status code 01) and readmitted may indicate a potential premature discharge or incomplete care.</p> <p>IPFs should compare the PEPPER target area discharges for the same time period with the number of readmissions to their facility to determine the number of patients discharged and readmitted to a different IPF. If the IPF has concerns with the number of patients readmitted to different IPFs, the facility should do the following:</p> <ul style="list-style-type: none"> • Review discharge planning processes to ensure patients are stable and appropriate for discharge • Ensure discharge plans are documented in the medical record • Ensure patient discharge status codes are correctly assigned 	<p>Not applicable; this is an admission-necessity focused target area.</p>

TARGET AREA	SUGGESTED INTERVENTIONS FOR HIGH OUTLIERS (IF AT/ABOVE 80 TH PERCENTILE)	SUGGESTED INTERVENTIONS FOR LOW OUTLIERS (IF AT/BELOW 20 TH PERCENTILE)
<p>30-Day Readmissions</p>	<p>This could indicate that patients are being discharged prematurely. A sample of readmission cases should be reviewed to identify the appropriateness of admission, discharge, quality of care, post-discharge care, DRG assignment, and billing errors. The hospital is encouraged to generate data profiles for readmissions within 30 days. Suggested data elements to include in these profiles are as follows: patient identifier, date of admission, date of discharge, patient discharge status code, principal and secondary diagnoses, procedure code(s), and DRG. Patients discharged home (patient discharge status code 01) and readmitted within 30 days may indicate a potential premature discharge or incomplete care.</p> <p>IPFs should compare the PEPPER target area discharges for the same time period with the number of readmissions to their facility to determine the number of patients discharged and readmitted to a different IPF. If the IPF has concerns with the number of patients readmitted to different IPFs, the facility should do the following:</p> <ul style="list-style-type: none"> • Review discharge planning processes to ensure patients are stable and appropriate for discharge • Ensure discharge plans are documented in the medical record • Ensure patient discharge status codes are correctly assigned 	<p>Not applicable; this is an admission-necessity focused target area.</p>

Comparative data for the three consecutive 12-month periods can be used to help identify whether the IPF's target area percents changed significantly in either direction from one year to the next. This could be an indication of a procedural change in admitting, coding or billing practices, staff turnover, or a change in medical staff.

Using PEPPER

Compare Targets Report

IPFs can use the Compare Targets Report to help prioritize areas for auditing and monitoring. The Compare Targets Report includes all target areas with reportable data for the most recent 12-month time period included in PEPPER. For each target area, the Compare Targets Report displays the IPF's number of target discharges, percent, IPF percentiles as compared to the nation, jurisdiction and state, and the "Sum of Payments."

Navigate through PEPPER by clicking on the worksheet tabs at the bottom of the screen. Each tab is labeled to identify the contents of each worksheet (e.g., Target Area Reports, Compare Targets Report).

IPF PEPPER identifies outliers as compared to all IPFs in the nation. The IPF's outlier status is indicated by the color of the target area percent on the Compare Targets Report. When the

IPF is a high outlier for a target area, the IPF's percent is printed in **red bold**. When the IPF is a low outlier (for coding-focused target areas only), the IPF's percent is printed in *green italics*. When the IPF is not an outlier, the IPF's percent is printed in black.

The Compare Targets Report provides the IPF's percentile value for the nation, jurisdiction, and state for all target areas with reportable data in the most recent 12-month time period. The percentile value allows an IPF to judge how its target area percent compares to all IPFs in each respective comparison group.

The IPF's national percentile indicates the percentage of all other IPFs in the nation that have a target area percent less than the IPF's target area percent.

The IPF's jurisdiction percentile indicates the percentage of all other IPFs in the MAC jurisdiction that have a target area percent less than the IPF's target area percent. The jurisdiction percentile will be blank if there are fewer than 11 IPFs with reportable data for the target area in the jurisdiction.

The IPF's state percentile indicates the percentage of all other IPFs in the state that have a target area percent less than the IPF's target area percent. The state percentile will be blank if there are fewer than 11 IPFs with reportable data for the target area in the state.

For more information about how percents differ from percentiles, see the IPF "Training and Resources" section on PEPPER.CBRPEPPER.org for a short slide presentation with visuals to assist in the understanding of these terms.

When interpreting the Compare Targets Report findings, IPFs should consider their target area percentile values for the nation, jurisdiction, and state. Percentile values at or above the 80th percentile (for all target areas) or at or below the 20th percentile (for coding-focused target areas) indicate that the IPF is an outlier. Outlier status should be evaluated in the following priority order: 1) nation, 2) jurisdiction, and 3) state. If an IPF is an outlier for the nation (i.e., as compared to all IPFs in the nation), this should be interpreted as the highest priority. If an IPF is an outlier for its jurisdiction (i.e., as compared to all IPFs in its jurisdiction), this is somewhat of a lower priority. Lastly, if an IPF is an outlier for its state (i.e., as compared to all IPFs in its state), this would be the lowest priority; the state has the smallest comparison group.

The “Sum of Payments” can also be used to help prioritize areas for review. For example, the Compare Targets Report may show that the *Outlier Payments* target area has the highest “Sum of Payments,” but the IPF’s percent is at the 80th percentile as compared to the jurisdiction and at the 65th percentile as compared to the nation. The *Comorbidities* target area may have a smaller “Sum of Payments,” but it could still be at the 80th percentile for the jurisdiction and 90th percentile for the nation. In this scenario, the *Comorbidities* target area might be given priority.

Target Area Reports

PEPPER Target Area Reports display a variety of statistics for each target area summarized over three 12-month time periods. Each report includes a target area graph, a target area data table, comparative data, interpretive guidance, and suggested interventions.

Target Area Graph

Each report includes a target area graph, which provides a visual representation of the IPF’s target area percent over three 12-month time periods. The IPF’s data is represented on the graph in bar format; each bar represents a 12-month time period. IPFs can identify significant changes from one time period to the next, which could be a result of changes in the medical staff, coding staff, utilization review processes, or hospital services. IPFs are encouraged to identify root causes of major changes to ensure that improper payments are prevented.

The graph includes red trend lines for the percents that are at the 80th percentile (green trend lines are included for the percents that are at the 20th percentile for coding-focused target areas) for the three comparison groups (i.e., nation, jurisdiction, and state) so the IPF can easily identify when it is an outlier as compared to any of these comparison groups. A table of these percents called “Comparative Data” is included under the IPF’s data table. For more information about how percents differ from percentiles, see the IPF “Training and Resources” section on PEPPER.CBRPEPPER.org for a short slide presentation with visuals to assist in the understanding of these terms.

An IPF’s data will not be displayed in the graph if the numerator count for the target area is less than 11 for any time period. This is due to data restrictions established by CMS. If there are fewer than 11 IPFs with reportable data in a state, there will not be a trend line for the state comparison group in the graph. If there are fewer than 11 IPFs with reportable data in a jurisdiction, there will not be a trend line for the jurisdiction comparison group in the graph.

Target Area Hospital Data Table

PEPPER Target Area Reports also include a hospital data table. Statistics in each data table include the total numerator count of discharges for the target area (target area discharge count), the denominator count of discharges, the proportion of the numerator and denominator (percent), the average length of stay (ALOS) for the numerator and for the denominator, and the average and sum of Medicare payment data. The IPF’s percent will be shown in **red bold print** if it is at or above the national 80th percentile (high outlier); for coding-focused target areas, it will be shown in *green italics* if it is at or below the national

20th percentile (low outlier). For each time period, an IPF's data will not be displayed if the numerator for the target area is less than 11.

Comparative Data Table

The Comparative Data Table provides the target area percents that are at the 80th and 20th percentiles (for coding-focused areas only) for the three comparison groups: the nation, jurisdiction, and state. These are the percent values that are graphed as trend lines on the target area graph. State percentiles are zero when there are fewer than 11 IPFs with reportable data in the state. Jurisdiction percentiles are zero when there are fewer than 11 IPFs with reportable data in the jurisdiction.

Interpretive Guidance and Suggested Interventions

Interpretive guidance is included on the Target Area Report (below the graph) to assist IPFs in considering whether they should audit a sample of records. Suggested interventions for outliers tailored to each target area are also included at the bottom of each Target Area Report.

IPF Top DRGs Report

The IPF Top DRGs Report lists the top DRGs by volume of discharges for your IPF in the most recent 12-month time period. It includes the total IPF discharges for each of the top DRGs listed, the proportion of discharges for each DRG to total discharges, and the IPF's ALOS for each DRG. Please note that this report is limited to the top DRGs (up to 20) for which there are a total of at least 11 discharges (for the respective DRG) during the most recent 12-month time period.

Jurisdiction-Wide Top DRGs Report

The Jurisdiction-Wide Top DRGs Report lists the top DRGs by volume of discharges for all IPFs in the MAC jurisdiction in the most recent fiscal year. It includes the total jurisdiction-wide discharges for each of the top DRGs listed, the proportion of discharges for each DRG to total discharges, the jurisdiction ALOS for each DRG, and the national ALOS for each DRG. Please note that this report is limited to displaying the top DRGs (up to 20) for which there are a total of at least 11 discharges during the most recent 12-month time period.

System Requirements, Customer Support, and Technical Assistance

PEPPER is a Microsoft Excel workbook that can be opened and saved to a PC. It is not intended for use on a network, but it may be saved to as many PCs as necessary.

For help using PEPPER, please submit a request for assistance at PEPPER.CBRPEPPER.org by clicking on the "Help/Contact Us" tab. This website also contains many educational resources to assist IPFs with PEPPER in the IPF "Training and Resources" section.

Please do **not** contact your state Medicare Quality Improvement Organization or any other association for assistance with PEPPER, as these organizations are not involved in the production or distribution of PEPPER.

Acronyms and Abbreviations

ACRONYM/ ABBREVIATION	ACRONYM/ABBREVIATION DEFINITION
ALOS	The average length of stay (ALOS) is calculated as an arithmetic average or mean. It is computed by dividing the total number of hospital (or inpatient) days by the total number of discharges within a given time period.
CMS	The Centers for Medicare & Medicaid Services (CMS) is the federal agency responsible for oversight of Medicare and Medicaid. CMS is a division of the U.S. Department of Health and Human Services.
DRG	The diagnosis-related group (DRG) is a system that was developed for Medicare in 1980 (it became effective in 1983) as part of the PPS to classify hospital cases expected to have similar hospital resource use.
FATHOM	First-Look Analysis Tool for Hospital Outlier Monitoring (FATHOM) is a Microsoft Access application. It was designed to help MACs compare providers in areas at risk for improper payment using Medicare administrative claims data. FATHOM produces PEPPER.
FY	Fiscal year (FY); the Medicare federal fiscal year begins on Oct. 1 and ends on Sept. 30.
ICD-10-CM	International Classification of Diseases, 10th Revision, Clinical Modification (ICD-10-CM)
IPF	Inpatient psychiatric facility (IPF)
IPPS	The inpatient prospective payment system (IPPS) sets forth a system of reimbursement for the operating costs of acute care hospital inpatient stays under Medicare Part A (Hospital Insurance) based on prospectively set rates.
LOS	Length of stay (LOS)
MAC	The Medicare Administrative Contractor (MAC) is the contracting authority that replaced the fiscal intermediary and carrier in performing Medicare Fee-for-Service claims processing activities.
MS-DRG	Medicare-Severity Diagnosis-Related Groups (MS-DRGs)
PEPPER	Program for Evaluating Payment Patterns Electronic Report (PEPPER) is an electronic data report in Microsoft Excel format that contains a single hospital's claims data statistics for DRGs and discharges at high risk for improper payments due to billing, coding, and/or admission necessity issues.
PPS	Prospective payment system (PPS)

Appendix 1: How Readmissions Are Identified

These examples have been developed to help providers understand how readmissions are identified and counted in PEPPER.

Example 1: 3- to 5-Day Readmissions

The target area numerator definition is the count of index (first) admissions during the 12-month time period for which a readmission occurred within three to five calendar days (four to six consecutive days) to the same IPF or to another IPF for the same beneficiary (identified using the Health Insurance Claim number). The target area denominator definition is the count of all discharges excluding patient discharge status code 20 (expired).

Below is a table showing two claims for one beneficiary submitted by IPFs. The claims are sorted by date on the left side of the table. Each row includes two admissions: the "index admission" and the "next admission," which may be considered as a readmission. The "next admission" on one row becomes the "index admission" on the following row.

	Index Admission Provider	Index Admission Date	Discharge Date	Patient Discharge Status Code	Next Admission Provider	Next Admission Date	Discharge Date	Calendar Gap Days	Next Admission Counts as a Readmission Against Index Admission?
1	IPF #1	11/20/10	12/1/10	01	IPF #2	12/5/10	12/10/10	4	Yes, to IPF #1
2	IPF #2	12/5/10	12/10/10	01	(no further admissions)				n/a

Detailed discussion:

- Row 1: The beneficiary was admitted to IPF #1 on 11/20/10 and discharged home (patient discharge status code 01) on 12/1/10. The beneficiary was admitted to IPF #2 on 12/5/10, which is four calendar days after being discharged from IPF #1. This admission counts as a *3- to 5-Day Readmission* to IPF #1 against the 11/20/10 index admission because it occurred within three to five calendar days after the beneficiary was discharged from IPF #1.
- Row 2: The beneficiary was admitted to IPF #2 on 12/5/10 and discharged home (patient discharge status code 01) on 12/10/10.
-

Note: For the *3- to 5-Day Readmissions* target area, the patient discharge status code of the index admission is not considered.

Example 2: 30-Day Readmissions

Below is a table showing claims submitted for one beneficiary by IPFs over a one-year period. The claims are sorted by date on the left side of the table. Each row includes two admissions: the "index admission" and the "next admission," which may be considered as a readmission. The "next admission" on one row becomes the "index admission" on the following row.

	Index Admission Provider	Index Admission Date	Discharge Date	Patient Discharge Status Code	Next Admission Provider	Next Admission Date	Discharge Date	Calendar Gap Days	Next Admission Counts as a Readmission Against Index Admission?
1	IPF #1	11/20/10	12/1/10	01	IPF #2	12/5/10	12/10/10	4	Yes, to IPF #1
2	IPF #2	12/5/10	12/10/10	65	IPF #1	12/10/10	12/14/10	0	No
3	IPF #1	12/10/10	12/14/10	01	IPF #1	12/20/10	12/22/10	6	Yes, to IPF #1
4	IPF #1	12/20/10	12/22/10	01	IPF #2	12/25/10	12/28/10	3	Yes, to IPF #1
5	IPF #2	12/25/10	12/28/10	01	(no further admissions)				n/a

Detailed discussion:

- Row 1: The beneficiary was admitted to IPF #1 on 11/20/10 and discharged home (patient discharge status code 01) on 12/1/10. The beneficiary was admitted on 12/5/10 to IPF #2. This admission counts as a readmission within 30 days for IPF #1 against the 11/20/10 index admission.
- Row 2: The beneficiary was admitted on 12/5/10 to IPF #2. The beneficiary was discharged/transferred to IPF #1 (patient discharge status code 65) on 12/10/10. The admission to IPF #1 does not count as a *30-Day Readmission* against the IPF #2 index admission of 12/5/10 because the patient was discharged/transferred from IPF #2 to IPF #1 (status code 65).
- Row 3: The beneficiary was admitted to IPF #1 on 12/10/10 and discharged home (patient discharge status code 01) on 12/14/10. The beneficiary was admitted to IPF #1 on 12/20/10. This admission counts as a *30-Day Readmission* to IPF #1 against the 12/10/10 index admission.
- Row 4: The beneficiary was admitted to IPF #1 on 12/20/10 and discharged home (patient discharge status code 01) on 12/22/10. The beneficiary was admitted to IPF #2 on 12/25/10. This admission counts as a *30-Day Readmission* to IPF #1 against the 12/20/10 index admission.
- Row 5: The beneficiary was admitted to IPF #2 on 12/25/10 and discharged home (patient discharge status code 01) on 12/28/10.
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For the *30-Day Readmissions* target area, if a beneficiary is discharged from an IPF with a patient discharge status code of “65” (discharged or transferred to a psychiatric hospital or distinct part unit), the next IPF admission within 30 days will not be considered a readmission.

Note: Any admission of a beneficiary to a short-term or long-term acute care hospital, a critical access hospital, or any other type of provider is not considered as a readmission for this measure. Only admissions to inpatient psychiatric units or freestanding inpatient psychiatric hospitals can be considered as a readmission.