



Related MLN Matters Article #: MM3334

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## *Medicare Inpatient Rehabilitation Facility (IRF) Classification Requirements*

### Key Words

MM3334, CR3334, R221CP, Inpatient, Rehabilitation, Classification, IRF, Prospective, Payment, Systems, PPS

### Provider Types Affected

Rehabilitation Hospitals and Rehabilitation Units: both are referred to as Inpatient Rehabilitation Facilities

### Key Points

- The effective date of this instruction is July 1, 2004.
- The implementation date is July 1, 2004.
- Hospitals and rehabilitation units must meet the criteria specified in regulations 42 CFR 412.23 (b), 412.25, and 412.29 to be eligible for payment under the IRF Prospective Payment System (PPS).
- A rehabilitation hospital and rehabilitation unit are now referred to as an IRF.
- Change Request (CR) 3334 summarizes some of the guidance the Centers for Medicare & Medicaid Services (CMS) recently issued to FIs, regarding the criteria that a facility must meet to be classified as an IRF.
- On January 3, 1984, CMS published a final rule (75-percent rule) titled, "Medicare Program; Prospective Payment for Medicare Inpatient Hospital Services" (49 FR 234), which specified that for classification as an IRF, 75 percent of the IRF's total patient population during the IRF's cost reporting period must match one or more of the ten medical conditions listed in 42CFR 405.471.
- On March 29, 1985, CMS published a final rule titled, "Medicare Program; Prospective Payment System for Hospital Inpatient Services: Re-designation of Rules" (50 FR 12740), which re-designated the provisions of 42 CFR 405.471 that addressed the 75-percent rule as a provision under 42 CFR 412.23(b) (2).

- The regulations at 42 CFR 412.25, 412.29, and 412.30 refer to 42 CFR 412.23(b) (2) as one of the criteria a provider must meet to be classified as an IRF.

### Changes to the Classification Criteria

- On May 7, 2004, CMS published a final rule titled "Medicare Program; Changes to the Criteria for Being Classified as an Inpatient Rehabilitation Facility," which changed the percentage of the IRF's total patient population that must match one or more of the medical conditions and the Medical conditions previously specified in the regulations.
- This final rule specified that during a most recent, consecutive, and appropriate 12-month time period (as defined by CMS or the FI) the IRF treated an inpatient population that met or exceeded the percentages specified in the table on page 3 of MLN Matters article MM3334.

### Written Certification

- A hospital that seeks classification as an IRF for a cost reporting period that occurs after it becomes a Medicare-participating hospital must provide a written certification that the inpatient population it intends to serve meets the medical condition requirement specified in the table on pages 3-5 of MM3334, instead of showing that it has treated an inpatient population that met the medical condition requirement during its most recent cost reporting period.
- If a hospital, hospital unit, or group of beds is paid under the IRF PPS for a cost reporting period based on a written certification that it will meet the medical condition requirement but does not actually meet the requirement for that cost reporting period, CMS adjusts its payments to the hospital retroactively.
- The FI effects this payment adjustment to the hospital by calculating the difference between:
  - The amount actually paid for services to Medicare patients in the hospital, hospital unit, or beds during the period of provisional exclusion; and
  - The amount that would have been paid if the hospital, unit, or beds had not been excluded from the acute care hospital PPS.
- The written certification is also effective for a cost reporting period of not less than one month and not more than 11 months occurring between the dates the hospital began participating in Medicare and the start of the hospital's regular 12-month cost reporting period.

### Important Links

The related MLN Matters article can be found at

<http://www.cms.hhs.gov/MLNMattersArticles/downloads/MM3334.pdf> on the CMS website.

The official instruction (CR3334) regarding this change may be viewed at

<http://www.cms.gov/Transmittals/downloads/R221CP.pdf> on the CMS website.

If providers have any questions, they may contact their FI at their toll-free number, which may be found at <http://www.cms.hhs.gov/MLNProducts/downloads/CallCenterTollNumDirectory.zip> on the CMS website.