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Implementation Date: October 31, 2005

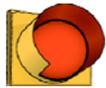
Changes in Inpatient Rehabilitation Facility Prospective Payment System for FY 2006

Note: This article was updated on February 21, 2013, to reflect current Web addresses. All other information remains unchanged.

Provider Types Affected

Inpatient Rehabilitation Facilities (IRFs) billing Medicare Fiscal Intermediaries (FIs) under the Inpatient Rehabilitation Facility Prospective Payment System (IRF PPS)

Provider Action Needed



STOP – Impact to You

The Centers for Medicare & Medicaid Services (CMS) will use the Core-Based Statistical Area (CBSA) methodology for computing the IRF payment rate for FY 2006.



CAUTION – What You Need to Know

A one-year transition policy provides for a blended wage index (50 percent of the FY 2006 MSA-based wage index and 50 percent of the FY 2006 CBSA-based wage index) to be applied to all IRFs. This transition policy is effective for patient discharges occurring on or after October 1, 2005, and on or before September 30, 2006.



GO – What You Need to Do

Ensure your billing staff is aware of the above change and the policy regarding the payment of IRF services paid under the IRF PPS.

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This article was prepared as a service to the public and is not intended to grant rights or impose obligations. This article may contain references or links to statutes, regulations, or other policy materials. The information provided is only intended to be a general summary. It is not intended to take the place of either the written law or regulations. We encourage readers to review the specific statutes, regulations and other interpretive materials for a full and accurate statement of their contents.

Background

Section 1886(j) (5) of the Social Security Act requires the Secretary of Health and Human Services to publish in the Federal Register, on or before August 1, prior to each fiscal year, the classification and weighting factors for the IRF case-mix groups and a description of the methodology and data that will be used in computing the IRF prospective payment rates for that fiscal year.

CMS has published the FY 2006 IRF PPS Final Rule in the Federal Register, which announces that the CBSA methodology will be used for computing the IRF PPS payment rate for FY 2006.

One-Year Transition Policy

A one-year transition policy provides for a blended wage index (50 percent of the FY 2006 MSA-based wage index and 50 percent of the FY 2006 CBSA-based wage index, based on the FY 2001 hospital wage data) to be applied to all IRFs.

The one-year transition policy is effective for patient discharges occurring on or after October 1, 2005, and on or before September 30, 2006. The objective of the transition policy is to decrease the negative impact for IRFs that experience a decrease in the wage index and allow one year for all IRFs to transition from the MSA-based wage index to the CBSA-based index.

The FY 2006 IRF PPS Final Rule may be viewed by going to <http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientRehabFacPPS/downloads/cms1290-f-display.pdf> on the CMS website.

Computing IRF Prospective Payment Rates

In computing the IRF prospective payment rates for FY 2006, CMS used categories of data including:

- Inpatient Rehabilitation Facility Rate Setting;
- Inpatient Rehabilitation Facility Wage Index;
- Geographic Designation Crosswalk; and
- Comorbidity Tier Reassignment Changes.

Information regarding these data sources may be found at <http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientRehabFacPPS/index.htm> on the CMS website.

Additional Information

The following are areas in which CMS made key changes and refinements in the IRF PPS for FY 2006:

- **Case-Mix Groups** - CMS clarified the language regarding Rehabilitation Impairment Categories in Chapter 3, Section 140.2.2 of the *Medicare Claims Processing Manual*.
- **Facility Level Adjustments** - In Section 140.2.4 of the same chapter, CMS added language to show an adjustment for teaching facilities.
- **Area Wage Adjustments** - In Section 140.2.4.1, CMS provides more detail on these adjustments and a detailed discussion of the use of the CBSAs.

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- **Rural Adjustment** - Chapter 3, Section 140.2.4.2 discusses an additional hold harmless for rural providers that is in addition to the one-year blended wage index.
- **Outliers** - Section 140.2.4.4 of the same chapter explains additional outlier payments.
- **Teaching Status Adjustment** - Section 140.2.4.5 explains the teaching status adjustment that is a facility level adjustment to the federal discharge base rate that accounts for the higher indirect operating costs of facilities that participate in graduate medical education.
- **FTE Resident Cap** - Section 140.2.4.5.1 of Chapter 3 discusses the IRF FTE Resident Cap and how it is calculated.

The details of these changes are included as an attachment to the official instructions (CR4099) issued to your FI. That instruction and the revised portions of Chapter 3 of the *Medicare Claims Processing Manual* may be viewed by going to <http://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/downloads/R693CP.pdf> on the CMS website.

For more information, you may also visit the IRF PPS website at <http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientRehabFacPPS/index.html> on the CMS website.

If you have any questions, please contact your Medicare FI at their toll-free number, which may be found at <http://www.cms.gov/Research-Statistics-Data-and-Systems/Monitoring-Programs/provider-compliance-interactive-map/index.html> on the CMS website.

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