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Information for Medicare Fee-For-Service Health Care Professionals

Related Change Request (CR) #: 4037

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Related CR Transmittal #: 680

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Implementation Date: October 3, 2005

Inpatient Rehabilitation Facility (IRF) Annual Update - Prospective Payment System (PPS) Pricer Changes for FY 2006

Note: This article was updated on February 16, 2013, to reflect current Web addresses. All other information remains unchanged.

Provider Types Affected

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

Provider Action Needed



STOP – Impact to You

This article is based on Change Request (CR) 4037, which provides details about the changes that will be required as part of the annual IRF PPS update for FY 2006. This article highlights several of the major refinements from the FY 2006 IRF PPS Final Rule.



CAUTION – What You Need to Know

Updated rates are effective for claims with discharges that fall on or after October 1, 2005, and on or before September 30, 2006.



GO – What You Need to Do

See the *Background* section of this article for further details regarding this IRF annual update.

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Background

On August 7, 2001, the Centers for Medicare & Medicaid Services (CMS) published a Final Rule in the Federal Register (see http://www.access.gpo.gov/su_docs/fedreg/a010807c.htm) that established the Prospective Payment System (PPS) for Inpatient Rehabilitation Facilities (IRFs), as authorized under the Social Security Act (Section 1886(j)). In that Final Rule, CMS set forth per discharge federal rates for federal fiscal year (FY) 2002. These IRF PPS payment rates became effective for cost reporting periods beginning on or after January 1, 2002. Annual updates to the IRF PPS rates are required by the Social Security Act (Section 1886(j)(3)(C)).

CR4037 highlights several of the major refinements from the FY 2006 IRF PPS Final Rule that impact the IRF PRICER, including:

- Changes to the Case Mix Groups (CMGs);
- Changes made within the comorbidity tier codes;
- The transition from the Metropolitan Statistical Areas (MSAs) to Core Based Statistical Areas (CBSAs);
- The three-year hold harmless policy;
- The update to the rural adjustment;
- The update to the Low Income Patient (LIP) adjustment;
- The update to the outlier threshold; and
- The new teaching status adjustment.

On August 15, 2005, CMS published a Final Rule in the Federal Register (70 FR 47880 at http://www.access.gpo.gov/su_docs/fedreg/a050815c.htm) that sets forth the prospective payment rates applicable for IRFs for FY 2006.

A new IRF PRICER software package will contain updated rates effective for claims with discharges on or after October 1, 2005, through September 30, 2006.

Under existing IRF PPS outlier methodology, the cost-to-charge ratio (CCR) from an IRF's latest settled cost report is used in determining:

- Whether a case qualifies for payment as an outlier; and
- The amount of any such payment.

The following provides a brief description of the changes and updates to IRF PPS policies:

Case Mix Groups (CMGs) and Comorbidity Tiers

Prior to October 1, 2005, there were 95 CMGs and five special CMGs. For discharges occurring on or after October 1, 2005, there are 87 CMGs and five special CMGs. There will also be updates to the Comorbidity Tiers as discussed in the Final Rule.

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Transition Wage Index

For FY 2006, all IRFs will receive a one-year transition policy that consists of 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 that are both based on the FY 2001 hospital wage data).

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

To determine an IRF's actual geographic location, please refer to Table 1 in the Final Rule. (See 70 FR 47954 at <http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientRehabFacPPS/downloads/cms1290-f.pdf> on the CMS website.)

For FY 2006, IRFs may have a special CBSA Code to capture the transition wage index appropriate for their state and county combination. Please refer to the IRF PPS website at <http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientRehabFacPPS/index.html> (Look at Archive files.) for state and county combinations with a special CBSA Code in the 50000 series for some areas.

Hold Harmless Policy

A three-year budget neutral hold harmless policy applies to IRFs that meet the definition for "rural" in the Final Rule in FY 2005 (70 FR 47883, Section 412.602) that will become urban under the FY 2006 CBSA-based designations to mitigate the loss of the FY 2005 rural adjustment of 19.14 percent.

For the IRFs that meet the criteria, CMS will increase payments for these IRFs by 12.76 percent (or two-thirds of the 19.14 FY 2005 rural adjustment) for FY 2006.

The intent of the hold harmless policy is not for an IRF to realize greater payments (as a result of the policy) than the IRF would have had if the IRF had been paid under its rural designation in FY 2006 (including the FY 2005 rural adjustment of 19.14 percent). This adjustment is in addition to the one-year blended wage index described above.

CMS has identified four remaining IRFs (listed at <http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientRehabFacPPS/index.html> look at Archive files.) that qualify for the hold harmless policy, but would get higher payments with the application of the full 12.76 percent hold harmless adjustment than they would have received if they had been paid under their rural designation in FY 2006 (including the FY 2005 rural adjustment of 19.14 percent). In other words, CMS is essentially capping a facility's payments under the hold harmless policy at this level.

Because CMS can change the wage index for a particular IRF on a quarterly basis (whereas CMS can only change an IRF's rural adjustment annually), CMS will implement the hold harmless policy for these four facilities by creating a special wage index value for these IRFs, rather than lowering the amount of their hold harmless adjustment. This will also apply to any other IRFs that are discovered later that would receive higher payments as a result of the hold harmless policy.

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CMS will provide FIs with the applicable special wage index values for these four IRFs (and for any other IRFs that are later discovered that would receive higher payments as a result of the hold harmless policy). These special wage index values will be used by the FIs instead of the blended wage index values for determining FY 2006 IRF PPS payments for these IRFs.

Teaching Status Adjustment

CMS is implementing an adjustment for teaching facilities to compensate them for the higher costs they incur in providing care to beneficiaries. This adjustment is based on an analysis of IRF PPS data from FY 2003. The new teaching status adjustment for IRFs is similar to the one used in the inpatient psychiatric facility PPS. For FY 2006, CMS will implement a teaching adjustment based on the ratio of residents and interns to the average daily census, raised to some power as discussed in the Final Rule.

Rural Adjustment, LIP Adjustment, and Outlier Threshold

The rural adjustment LIP adjustment, and outlier threshold will all be updated as set forth in the Final Rule.

Rates

FY 2006 rates were published in the Final Rule, including any subsequent correction notices. The PRICER software has the updated rates that will be published in the correction notice. The FY 2006 payment rates may be found at <http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientRehabFacPPS/index.html> on the CMS website (Look at Archive files.).

Additional Information

For complete details, please see the official instruction issued to your intermediary regarding this change. That instruction may be viewed at <http://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/downloads/R680CP.pdf> on the CMS website.

If you have any questions, please contact your intermediary 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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