

DEPARTMENT OF HEALTH AND HUMAN SERVICES
Centers for Medicare & Medicaid Services



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- ["ICD-10-CM/PCS Myths and Facts,"](#) Fact Sheet, ICN 902143, Downloadable and Hard Copy.

MLN Matters® Number: MM8326

Related Change Request (CR) #: CR 8326

Related CR Release Date: August 16, 2013

Effective Date: October 1, 2013

Related CR Transmittal #: R2769CP

Implementation Date: October 7, 2013

Inpatient Rehabilitation Facility (IRF) Annual Update: Prospective Payment System (PPS) Pricer Changes for Fiscal Year 2014

Provider Types Affected

This MLN Matters® Article is intended for Inpatient Rehabilitation Facility (IRF) providers submitting claims to Medicare contractors (Fiscal Intermediaries (FIs) and A/B Medicare Administrative Contractors (MACs)) for services to Medicare beneficiaries.

Provider Action Needed

This article is based on Change Request (CR) 8326 which informs Medicare contractors about the release of new IRF PPS PRICER software and the changes that software implements that will modify payment rates for IRF PPS claims. Make sure that your billing staffs are aware of these changes.

Background

On August 7, 2011, the Centers for Medicare & Medicaid Services (CMS) published in the **Federal Register**, a final rule that established the PPS for IRFs, as authorized under Section 1886(j) of the

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Social Security Act (the Act). 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 Section 1886(j)(3)(C) of the Act. The FY 2014 IRF PPS Final Rule issued on July 31, 2013, sets forth the prospective payment rates applicable for IRFs for FY 2014. A new IRF PRICER software package will be released to CMS contractors prior to October 1, 2013, that will contain the updated rates that are effective for claims with discharges that fall within October 1, 2013, through September 30, 2014.

In addition, Section 1886 (j)(7)(A)(i) of the Act requires application of a 2% reduction of the applicable market basket increase factor for IRFs that fail to comply with the quality data submission requirements. FY 2014 is to be the first year that the mandated reduction will be applied for IRFs that failed to comply with the data submission requirements during the data collection period October 1, 2012, through December 31, 2012. Thus, in compliance with 1886(j)(7)(A)(i) of the Act, CMS will apply a 2 percentage point reduction to the applicable FY 2014 market basket increase factor in calculating an adjusted FY 2014 standard payment conversion factor to apply to payments for only those IRFs that failed to comply with the data submission requirements.

Application of the 2% reduction may result in an update that is less than 0.0 for a Fiscal Year and in payment rates for a Fiscal Year being less than such payment rates for the preceding Fiscal Year. Also, reporting-based reductions to the market basket increase factor will not be cumulative; they will only apply for the FY involved.

The adjusted FY 2014 standard payment conversion factor that will be used to compute IRF PPS payment rates for any IRF that failed to meet the quality reporting requirements for the period from October 1, 2012, through December 2012 will be \$14,555.

Key Points of CR8326

For IRF PPS FY 2014 (October 1, 2013 – September 30, 2014)

- The standard Federal rate is \$14,846.
- The adjusted standard Federal rate is \$14,555 (for IRFs that failed to meet the quality reporting requirements).
- The fixed loss amount is \$9,272.
- The labor-related share is 0.69494.
- The non-labor related share is 0.30506.
- Urban national average Cost-to-Charge Ratio (CCR) is 0.516.
- Rural national average CCR is 0.643.
- The Low Income Patient (LIP) Adjustment is 0.3177.
- The Teaching Adjustment is 1.0163.
- The Rural Adjustment is 1.149.

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Additional Information

The official instruction, CR8326, issued to your MAC regarding this change may be viewed at <http://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/Downloads/R2769CP.pdf> on the CMS website.

If you have any questions, please contact your MAC 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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