

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



MLN Matters® Number: MM9669

Related Change Request (CR) #: CR 9669

Related CR Release Date: August 5, 2016

Effective Date: October 1, 2016

Related CR Transmittal #: R3576CP

Implementation October 3, 2016

Inpatient Rehabilitation Facility (IRF) Annual Update: Prospective Payment System (PPS) Pricer Changes for Fiscal Year (FY) 2017

Provider Types Affected

This MLN Matters® Article is intended for IRFs submitting claims to Medicare Administrative Contractors (MACs) for services provided to Medicare beneficiaries.

Provider Action Needed

Change Request (CR) 9669 provides updated rates used to pay IRF PPS claims for FY 2017. A new IRF PRICER software package will be released prior to October 1, 2016, and will contain the updated rates that are effective for claims with discharges that fall within October 1, 2016, through September 30, 2017. Make sure your billing staff is aware of these changes.

Background

On August 7, 2001, the Centers for Medicare & Medicaid Services (CMS) published a final rule in the Federal Register (see <https://www.gpo.gov/fdsys/pkg/FR-2001-08-07/pdf/01-19313.pdf>) that established the IRF PPS as authorized under the Social Security Act (see Section 1886(j) at http://www.ssa.gov/OP_Home/ssact/title18/1886.htm). The FY 2017 IRF PPS Final Rule, issued on July 29, 2016, sets forth the prospective payment rates applicable for IRFs for FY 2017.

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Key Points

Take note of the phase out of the rural adjustment:

CMS will implement a 3 year budget neutral phase out of the rural adjustment for those IRFs that meet the definition in section 412.602 as rural in FY 2015 and became urban under the FY 2016 Core-Based Statistical Area (CBSA) designations. CMS will afford existing IRFs designated in FY 2015 as rural IRFs (pursuant to section 412.602) and re-designated as an urban facility in FY 2016 (pursuant to section 412.602) a 3 year phase out in order to mitigate the payment effect upon a rural facility that is re-designated as an urban facility (effective FY 2016) and thereby loses the rural adjustment of 1.149.

PRICER Updates: For IRF PPS FY 2017 (October 1, 2016 – September 30, 2017)

Standard Federal rate	\$15,708
Adjusted standard Federal rate	\$15,399
Fixed loss amount	\$7,984
Labor-related share	0.709
Non-labor related share	0.291
Urban national average Cost to charge Ratio (CCR)	0.421
Rural national average CCR	0.522
Low Income Patient (LIP) Adjustment	0.3177
Teaching Adjustment	1.0163
Rural Adjustment	1.149

The Social Security Act (section 1886(j)(7)(A)(i) requires application of a 2 percentage point reduction of the applicable market basket increase factor for IRFs that fail to comply with the quality data submission requirements. The mandated reduction will be applied in FY 2017 for IRFs that failed to comply with the data submission requirements during the data collection period January 1, 2015, through December 31, 2015. Thus, in compliance with section 1886(j)(7)(A)(i) of the Act, CMS will apply a 2 percentage point reduction to the applicable FY 2017 market basket increase factor (1.65 percent) in calculating an adjusted FY 2017 standard payment conversion factor to apply to payments for only those IRFs that failed to comply with the data submission requirements.

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Application of the 2 percentage point 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 2017 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 January 1, 2015, through December 31, 2015, will be \$15,399.

Additional Information

The official instruction, CR 9669, issued to your MAC regarding this change is available at <https://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/Downloads/R3576CP.pdf>.

If you have any questions, please contact your MAC at their toll-free number. That number is available at <http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNMattersArticles/index.html>.

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