

CMS Manual System	Department of Health & Human Services (DHHS)
Pub 100-04 Medicare Claims Processing	Centers for Medicare & Medicaid Services (CMS)
Transmittal 3576	Date: August 5, 2016
	Change Request 9669

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

I. SUMMARY OF CHANGES: A new IRF PRICER software package will be released prior to October 1, 2016, that will contain the updated rates that are effective for claims with discharges that fall within October 1, 2016, through September 30, 2017.

EFFECTIVE DATE: October 1, 2016

**Unless otherwise specified, the effective date is the date of service.*

IMPLEMENTATION DATE: October 3, 2016

Disclaimer for manual changes only: The revision date and transmittal number apply only to red italicized material. Any other material was previously published and remains unchanged. However, if this revision contains a table of contents, you will receive the new/revised information only, and not the entire table of contents.

II. CHANGES IN MANUAL INSTRUCTIONS: (N/A if manual is not updated)

R=REVISED, N=NEW, D=DELETED-Only One Per Row.

R/N/D	CHAPTER / SECTION / SUBSECTION / TITLE
R	3/140.2 - Payment Provisions Under IRF PPS

III. FUNDING:

For Medicare Administrative Contractors (MACs):

The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the MAC Statement of Work. The contractor is not obligated to incur costs in excess of the amounts allotted in your contract unless and until specifically authorized by the Contracting Officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the Contracting Officer, in writing or by e-mail, and request formal directions regarding continued performance requirements.

IV. ATTACHMENTS:

**Recurring Update Notification
Manual Instruction**

Attachment - Recurring Update Notification

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IMPLEMENTATION DATE: October 3, 2016

I. GENERAL INFORMATION

A. Background: On August 7, 2001, CMS published in the **Federal Register**, a final rule that established the PPS for IRFs, as authorized under §1886(j) of the 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 §1886(j)(3)(C) of the Act.

B. Policy: The FY 2017 IRF PPS Final Rule issued on July 29, 2016, sets forth the prospective payment rates applicable for IRFs for FY 2017. A new IRF PRICER software package will be released prior to October 1, 2016, that will contain the updated rates that are effective for claims with discharges that fall within October 1, 2016, through September 30, 2017. The new revised Pricer program shall be installed timely to ensure accurate payments for the IRF PPS claims with discharges occurring on or after October 1, 2016, through September 30, 2017.

1. Phase Out of Rural Adjustment

We have implemented a 3 year budget neutral phase out of the rural adjustment for those IRFs that meet the definition in §412.602 as rural in FY 2015 and became urban under the FY 2016 CBSA-based designations. We will afford existing IRFs designated in FY 2015 as rural IRFs (pursuant to §412.602) and re-designated as an urban facility in FY 2016 (pursuant to §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. This is the second year of the phase out of rural adjustment.

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

- The standard Federal rate is: **\$15,708**
- The adjusted standard Federal rate is: **\$15,399**
- The fixed loss amount is: **\$ 7,984**
- The labor-related share is: **0.709**
- The non-labor related share is: **0.291**
- Urban national average CCR is: **0.421**
- Rural national average CCR is: **0.522**
- The Low Income Patient (LIP) Adjustment is: **0.3177**

- The Teaching Adjustment is: **1.0163**
- The Rural Adjustment is: **1.149**

Section 1886(j)(7)(A)(i) of the Act 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 1886(j)(7)(A)(i) of the Act, we 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.

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.

II. BUSINESS REQUIREMENTS TABLE

"Shall" denotes a mandatory requirement, and "should" denotes an optional requirement.

Number	Requirement	Responsibility									
		A/B MAC			D M E M A C	Shared- System Maintainers				Other	
		A	B	H H H		F I S S	M C S	V M S	C W F		
9669.1	Contractors shall install and pay IRF claims with the FY 2017 IRF PPS Pricer for discharges on or after October 1, 2016.	X				X					
9669.2	As specified in Pub. 100-04, Medicare Claims Processing Manual, chapter 3, section 20.2.3.1, Medicare contractors shall maintain the accuracy of the data and update the PSF file as changes occur in data element values.	X									

III. PROVIDER EDUCATION TABLE

Number	Requirement	Responsibility
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		A/B MAC			D M E M A C	C E D I
		A	B	H H H		
9669.3	MLN Article: A provider education article related to this instruction will be available at http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNMattersArticles/ shortly after the CR is released. You will receive notification of the article release via the established "MLN Matters" listserv. Contractors shall post this article, or a direct link to this article, on their Web sites and include information about it in a listserv message within 5 business days after receipt of the notification from CMS announcing the availability of the article. In addition, the provider education article shall be included in the contractor's next regularly scheduled bulletin. Contractors are free to supplement MLN Matters articles with localized information that would benefit their provider community in billing and administering the Medicare program correctly.	X				

IV. SUPPORTING INFORMATION

Section A: Recommendations and supporting information associated with listed requirements: N/A

"Should" denotes a recommendation.

X-Ref Requirement Number	Recommendations or other supporting information:

Section B: All other recommendations and supporting information: N/A

V. CONTACTS

Pre-Implementation Contact(s): Susanne Seagrave, susanne.seagrave@cms.hhs.gov , Fred Rooke, fred.rooke@cms.hhs.gov

Post-Implementation Contact(s): Contact your Contracting Officer's Representative (COR).

VI. FUNDING

Section A: For Medicare Administrative Contractors (MACs):

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ATTACHMENTS: 0

Medicare Claims Processing Manual

Chapter 3 - Inpatient Hospital Billing

140.2 - Payment Provisions Under IRF PPS

(Rev.3576, Issued: 08-05-16; Effective: 10-01-16; Implementation: 10-03-16)

Section 1886 of the BBA provides the basis for establishing the Federal payment rates applied under PPS to IRFs. The PPS incorporates per discharge federal rates based on average IRF costs in a base year updated for inflation to the first effective period of the system.

IRF PPS providers are not subject to the 3-day payment window for pre-admission services, but are subject to the 1-day payment window for pre-admission services.

Beneficiary liability will operate the same as under the current Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) payment system. Even if Medicare payments are below cost of care for a patient under prospective payment, the patient cannot be billed for the difference in any case.

Below are the annual rate update Change Requests (CRs) for the applicable Fiscal Years (FYs):

FY 2017 – CR 9669

FY 2016 – CR 9236

FY 2015 – CR 8788

FY 2014 – CR 8326

FY 2013 – CR 7901

FY 2012 – CR 7510

FY 2011 – CR 7076

FY 2010 – CR 7029

FY 2010 – CR 6607

FY 2009 – CR 6166

FY 2008 – CR 5694

FY 2007 – CR 5273

FY 2006 – CR 4037

FY 2005 – CR 3378

FY 2004 – CR 2894

FY 2003 – CR 2250

Change Requests can be accessed through the following CMS Transmittals Website:

<https://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/index.html>