

CMS Manual System	Department of Health & Human Services (DHHS)
Pub 100-04 Medicare Claims Processing	Centers for Medicare & Medicaid Services (CMS)
Transmittal 11540	Date: August 5, 2022
	Change Request 12807

SUBJECT: Inpatient Rehabilitation Facility (IRF) Annual Update: Prospective Payment System (PPS) Pricer Changes for FY 2023

I. SUMMARY OF CHANGES: The purpose of this Change Request (CR) is to notify that a new IRF PRICER software package will be released prior to October 1, 2022, that will contain the updated rates that are effective for claims with discharges that fall within October 1, 2022, through September 30, 2023. Chapter 3, section 140.2 of publication 100-04 Medicare Claims Processing Manual is being updated accordingly.

EFFECTIVE DATE: October 1, 2022

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

IMPLEMENTATION DATE: October 3, 2022

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
R	3/ 140.2.5.1/ Area Wage Adjustment

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

Attachment - Recurring Update Notification

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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: Each July, the Centers for Medicare & Medicaid Services (CMS) publishes the IRF payment rates for the upcoming Fiscal Year (FY) (that is, October 1, 2022 through September 30, 2023) in the Federal Register, available online at <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientRehabFacPPS/IRF-Rules-and-Related-Files>. The payment rates will be effective October 1, 2022.

1. Provider Specific File (PSF) Updates

Effective Fiscal Year (FY) 2023, a permanent five percent cap will be adopted and applied to all Inpatient Rehabilitation Facility providers on any decrease to a provider's final wage index from that provider's final wage index of the prior fiscal year. To capture these policy changes, the following fields will be updated in the Provider Specific File:

1. Supplemental Wage Index - used for the prior fiscal year wage index value.
2. Supplemental Wage Index Indicator - used to indicate the value in the "Supplemental Wage Index" field is the prior fiscal year wage index.

Medicare Administrative Contractors must update the "Supplemental Wage Index" and "Supplemental Wage Index Indicator" for all the IRF providers who were active in FY 2022.

Medicare Administrative Contractors must follow the steps below to ensure the appropriate values are applied in the Supplemental Wage Index and Supplemental Wage Indicator fields:

1. If the provider was not active for FY 2022, then skip all of the below steps and leave the "Supplemental Wage Index" and "Supplemental Wage Index Indicator" fields blank. If the provider was active for FY 2022, then follow the steps below.
2. Update the value of "Supplemental Wage Index Indicator" to be "1".
3. Validate the accuracy of the provider's FIPS state and county codes.
4. Validate the accuracy of the provider's FY 2022 CBSA based on the provider's FIPS state and county codes and the CBSA delineations defined in OMB Bulletin No. 18-04.
5. Using the Final FY2022 IRF Wage Index file [fy-2022-irf-pps-wage-index-final \(xlsx\)](https://www.cms.gov/medicare/medicare-fee-service-payment/inpatientrehabfacppsirf-rules-and-related-files/cms-1748-f) available online at <https://www.cms.gov/medicare/medicare-fee-service-payment/inpatientrehabfacppsirf-rules-and-related-files/cms-1748-f>, identify the corresponding FY 2022 wage index value for the provider's FY 2022 CBSA, and add this wage index value to "Supplemental Wage Index" field.

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	
12807.1	Contractors shall update the PRMODERN PARM's IRF Pricer date range to 2015 – 2023 to call the FY 2023 IRF PPS Pricer to pay IRF claims for discharges on or after October 1, 2022.	X								
12807.2	Medicare Contractors shall perform the updates as outlined in the policy section, item 1 "Provider Specific File (PSF) Updates" of this notification. Medicare Contractors shall update ALL relevant portions of the PSF in accordance with this CR by October 1, 2022.	X				X				
12807.3	As specified in publication 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				
		A/B MAC			D M E M A C	C E D I
		A	B	H H H		
12807.4	Medicare Learning Network® (MLN): CMS will market provider education content through the MLN Connects® newsletter shortly after CMS releases the CR. MACs shall follow IOM Pub. No. 100-09 Chapter 6, Section 50.2.4.1 instructions for distributing the MLN Connects newsletter information to providers and link to relevant information on your website. You may supplement MLN content with your local information after we release the MLN Connects newsletter. Subscribe to the "MLN Connects" listserv to get MLN content notifications. You don't need to separately track and report MLN content releases when you distribute MLN Connects newsletter content per the manual section referenced above.	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:
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Section B: All other recommendations and supporting information: N/A

V. CONTACTS

Pre-Implementation Contact(s): Catherine Cooksey, catherine.cooksey@cms.hhs.gov , Susanne Seagrave, susanne.seagrave@cms.hhs.gov , Anthony Hodge, anthony.hodge@cms.hhs.gov

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

VI. FUNDING

Section A: 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.

ATTACHMENTS: 0

140.2 - Payment Provisions Under IRF PPS

(Rev.11504, Issued 08-05-22; Effective:10-01-22; Implementation: 10-03-22)

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 *Fiscal Years 2003-2022*:

FY 2022 – CR 12364
FY 2021 – CR 11858
FY 2020 – CR 11345
FY 2019 – CR 10826
FY 2018 – CR 10125
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>

Rate and weight information used by the IRF Pricer is updated periodically, usually annually, and is published in the “Federal Register.” Updates occur each October, to reflect the fact that IRF PPS rates are effective for a Federal fiscal year. Updates may also occur at other points in the year when required by legislation.

Whenever these update items change, Medicare also publishes a Recurring Update Notification to inform providers and A/B MACs (A) about the changes. These Recurring Update Notifications also describe how the changes will be implemented through the IRF Pricer.

140.2.5.1 - Area Wage Adjustments

(Rev.11504, Issued 08-05-22; Effective:10-01-22; Implementation: 10-03-22)

To adjust payments for area wage differences, CMS first identifies the labor-related portion of the prospective payment rates which is published annually in the Federal Register. The labor-related unadjusted Federal payment is multiplied by a wage index value to account for area wage differences.

CMS uses the inpatient acute care hospital wage data to compute the wage indices on the basis of the labor market area in which the acute care hospital is located, but without taking into account geographic reclassification under §§1886(d)(8) or (d)(10) of the Act and without applying the “rural floor” under §4410 of the BBA. The wage data excludes the wages for services provided by teaching physicians, interns and residents, and nonphysician anesthetists under Medicare part B, because these services are not covered under the IRF PPS. For IRF PPS discharges occurring before October 1, 2005, IRFs are divided into labor market areas where urban areas are defined as a Metropolitan Statistical Area (MSA) or New England County Metropolitan Area, as defined by the Executive Office of Management and Budget. For IRF PPS discharges occurring on or after October 1, 2005, the IRF PPS adopts new labor market area definitions based upon the new statistical area definitions issued by the Office of Management and Budget (OMB) in OMB Bulletin No. 03-04, June 6, 2003. OMB Bulletin No. 03-04 includes new definitions of Metropolitan Statistical Areas, Micropolitan Statistical Areas, and Combined Statistical Areas, more commonly referred to as Core-Based Statistical Areas (CBSAs). CBSA-based designations reflect the most recent available geographic classifications and more accurately reflect current labor markets. The OMB also established New England City and Town Areas, which are similar to the previous New England MSAs. CMS uses the county-based areas for all MSAs in the Nation, including those in New England. Adopting county-based labor market areas for the entire country creates consistency and stability in the Medicare payment program because all of the labor market areas, including New England, are defined using the same system (that is, counties), rather than different systems in different areas of the country, and minimizes program complexity. CMS uses the Metropolitan Divisions where applicable under the new CBSA-based labor market area definitions to determine urban areas. Micropolitan Areas are treated as rural labor market areas under the IRF PPS. To calculate the statewide rural wage index for each State, CMS combines all of the counties in a State outside of designated urban areas along with all Micropolitan Areas.

Beginning in FY 2023 a five percent cap will be applied on any decrease to a provider’s wage index from that provider’s final wage index in the prior fiscal year. For subsequent years, a provider’s wage index would not be less than 95 percent of its wage index calculated in the prior FY. A new IRF will be paid the wage index for the area in which it is geographically located for its first full or partial FY with no cap applied, because a new IRF will not have a wage index in the prior FY.