

CMS Manual System	Department of Health & Human Services (DHHS)
Pub 100-04 Medicare Claims Processing	Centers for Medicare & Medicaid Services (CMS)
Transmittal 1053	Date: SEPTEMBER 8, 2006
	Change Request 5273

Subject: Inpatient Rehabilitation Facility (IRF) Annual Update: Prospective Payment System (PPS) Pricer Changes for FY 2007

I. SUMMARY OF CHANGES: This CR updates changes to IRF PPS based on the FY 07 final rule.

New / Revised Material

Effective Date: October 1, 2006

Implementation Date: October 2, 2006

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
N/A	

III. FUNDING:

No additional funding will be provided by CMS; Contractor activities are to be carried out within their FY 2006 operating budgets.

IV. ATTACHMENTS:

Recurring Update Notification

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

Attachment – Recurring Update Notification

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SUBJECT: Inpatient Rehabilitation Facility (IRF) Annual Update: Prospective Payment System (PPS) Pricer Changes for FY 2007

I. GENERAL INFORMATION

A. Background: On August 7, 2001, we 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, we 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 2007 IRF PPS Final Rule published on August 18, 2006, sets forth the prospective payment rates applicable for IRFs for FY 2007. A new IRF PRICER software package will be released prior to October 1, 2006 that will contain the updated rates that are effective for claims with discharges that fall within October 1, 2006 through September 30, 2007. The new revised Pricer program must be installed timely to ensure accurate payments for the IRF PPS claims with discharges occurring on or after October 1, 2006 through September 30, 2007.

PRICER Updates: For IRF PPS fiscal year (FY) 2007, (October 1, 2006 – September 30, 2007)

- The standard Federal rate is \$12,981
- The fixed loss amount is \$5,534
- The labor-related share is 75.612 percent
- The non-labor related share is 24.388 percent
- Urban national average CCR is 0.484
- Rural national average CCR is 0.600

Hold Harmless

There were 32 IRFs identified in FY 2006 that received a hold harmless adjustment of 12.76 percent. For FY 2007 these same 32 providers will get a hold harmless adjustment of 6.38 percent. (Indicated by a Y in the Temp. Relief field, data element 17 in the provider specific file).

In addition, one of the IRFs above (49T005 will get the special wage index and the hold harmless adjustment) that would qualify for the hold harmless policy, but would experience higher payments with the second year of the hold harmless adjustment of 6.38 percent than they would have experienced had they been paid under their rural designation in FY 2006, including the FY 2005 rural adjustment of 19.14 percent. In other words, we are essentially capping this facility's payments under the hold harmless policy at this level. CMS will provide the FIs with the applicable special wage index value for this IRF (and for

III. PROVIDER EDUCATION

Requirement Number	Requirements	Responsibility (“X” indicates the columns that apply)								
		F I	R H I	C a r r i e r	D M E R C	Shared System Maintainers				Other
						F I S S	M C S	V M S	C W F	
5273.4	A provider education article related to this instruction will be available at www.cms.hhs.gov/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 site and include information about it in a listserv message within 1 week of the availability of the provider education article. In addition, the provider education article shall be included in your next regularly scheduled bulletin and incorporated into any educational events on this topic. 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 AND POSSIBLE DESIGN CONSIDERATIONS

A. Other Instructions:

X-Ref Requirement #	Instructions
5273.2.1	49T005 is the only provider that has a special wage index for FY 2007; you will be notified by CMS if other providers should receive a special wage index.

B. Design Considerations:

X-Ref Requirement #	Recommendation for Medicare System Requirements

C. Interfaces: IRF Pricer 070

D. Contractor Financial Reporting /Workload Impact: N/A

E. Dependencies: N/A

F. Testing Considerations: N/A

V. SCHEDULE, CONTACTS, AND FUNDING

<p>Effective Date*: October 1, 2006</p> <p>Implementation Date: October 2, 2006</p> <p>Pre-Implementation Contact(s): policy: Susanne Seagrave susanne.seagrave@cms.hhs.gov (410) 786-0044; claims processing: Sarah Shirey-Losso sarah.shirey-losso@cms.hhs.gov (410) 786-0187 or Valeri Ritter valeri.ritter@cms.hhs.gov (410) 786-8652</p> <p>Post-Implementation Contact(s): Appropriate Regional Office</p>	<p>No additional funding will be provided by CMS; contractor activities are to be carried out within their FY 2006 operating budgets.</p>
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