



Inpatient Rehabilitation Facility (IRF) Annual Update: Prospective Payment System (PPS) Pricer Changes for FY 2019

MLN Matters Number: MM10826

Related Change Request (CR) Number: 10826

Related CR Release Date: August 3, 2018

Effective Date: October 1, 2018

Related CR Transmittal Number: R4101CP

Implementation Date: October 1, 2018

PROVIDER TYPE AFFECTED

This MLN Matters Article is intended for Inpatient Rehabilitation Facilities (IRFs) billing Medicare Administrative Contractors (MACs) for services provided to Medicare beneficiaries.

WHAT YOU NEED TO KNOW

Change Request (CR) 10826 notifies MACs that a new IRF PRICER software package will be released prior to October 1, 2018, that will contain the updated rates that are effective for claims with discharges that fall within October 1, 2018, through September 30, 2019. MACs will install and pay IRF claims with the FY 2019 IRF Prospective Payment System (PPS) PRICER for discharges on or after October 1, 2018. Be sure your billing staffs are aware of these changes.

BACKGROUND

On August 7, 2001, 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 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.

KEY POINTS FOR FY 2019 IRF PPS

The FY 2019 IRF PPS Final Rule sets forth the prospective payment rates applicable for IRFs for FY 2019. The PRICER updates for FY2019 are in the following table.

PRICER Updates for IRF PPS FY 2019 (October 1, 2018 – September 30, 2019)

Pricer Update	Amount
Standard Federal Rate	\$16,021
Adjusted Standard Federal Rate	\$15,705
Fixed Loss Amount	\$9,402
Labor-related Share	0.705
Non-labor Related Share	0.295
Urban National Average Cost to Charge Ratio (CCR)	0.412
Rural National Average CCR	0.515
Low Income Patient (LIP) Adjustment	0.3177
Teaching Adjustment	1.0163
Rural Adjustment	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 2019 for IRFs that failed to comply with the data submission requirements during the data collection period January 1, 2017 through December 31, 2017. Thus, in compliance with 1886(j)(7)(A)(i) of the Act, CMS will apply a 2 percentage point reduction to the applicable FY 2019 market basket increase factor (1.35 percent) in calculating an adjusted FY 2019 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 2019 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, 2017 through December 31, 2017 will be \$15,705.

ADDITIONAL INFORMATION

The official instruction, CR10826, issued to your MAC regarding this change, is available at <https://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/2018Downloads/R4101cp.pdf>.

If you have questions, your MACs may have more information. Find their website at <http://go.cms.gov/MAC-website-list>

DOCUMENT HISTORY

Date of Change	Description
August 3, 2018	Initial article released.

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