



Inpatient Rehabilitation Facility (IRF) Annual Update: Prospective Payment System (PPS) Pricer Changes for FY 2020

MLN Matters Number: MM11345 **Revised** Related Change Request (CR) Number: 11345

Related CR Release Date: August 15, 2019 Effective Date: October 1, 2019

Related CR Transmittal Number: **R4368CP** Implementation Date: October 7, 2019

Note: We revised this article on August 16, 2019, to reflect a revised CR11345 issued on August 15. CMS revised the CR to replace the Health Insurance Prospective Payment System (HIPPS) Case Mix Group (CMG) Codes spreadsheet with a corrected version. In this article, we revised the CR release date, transmittal number and the web address of the CR. All other information remains the same.

PROVIDER TYPES AFFECTED

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

PROVIDER ACTION NEEDED

CR 11345 notifies MACs that a new IRF Pricer software package will be released prior to October 1, 2019, which will contain the updated rates that are effective for claims with discharges that fall within October 1, 2019, through September 30, 2020. MACs will install and pay IRF claims with the FY 2020 IRF PPS Pricer for discharges on or after October 1, 2019. Make 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.

The FY 2020 IRF PPS Final Rule sets forth the prospective payment rates applicable for IRFs for FY 2020. A new IRF PRICER software package will be released prior to October 1, 2019. The Pricer software package will also use the revised Case Mix Groups (CMGs) as discussed in the final rule. The IRF PPS pays for discharges occurring on or after October 1, 2019, using 95 CMGs and 5 special CMGs. MACs will install the new revised Pricer program timely to ensure accurate payments for the IRF PPS claims with discharges occurring on or after October 1, 2019 through September 30, 2020.

The PRICER updates for FY2020 are as follows:

PRICER Updates: For IRF PPS FY 2020 (October 1, 2019 – September 30, 2020)

- The standard Federal rate is \$16,489
- The adjusted standard Federal rate is \$16,167
- The fixed loss amount is \$9,300
- The labor-related share is 0.727
- The non-labor related share is 0.273
- Urban national average CCR is 0.405
- Rural national average CCR is 0.500
- 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 2020 for IRFs that failed to comply with the data submission requirements during the data collection period January 1, 2018, through December 31, 2018. 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 2020 market basket increase factor (2.5 percent) in calculating an adjusted FY 2020 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 2020 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, 2018, through December 31, 2018 will be \$16,167.

ADDITIONAL INFORMATION

The official instruction, CR11345, issued to your MAC regarding this change, is available at <https://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/2019Downloads/R4368CP.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 16, 2019	We revised the article to reflect a revised CR11345 issued on August 15. CMS revised the CR to replace the Health Insurance Prospective Payment System (HIPPS) CMG Codes spreadsheet with a corrected version. In the article, we revised the CR release date, transmittal number and the web address of the CR. All other information remains the same.
August 2, 2019	Initial article released.

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