

<b>CMS Manual System</b>	<b>Department of Health &amp; Human Services (DHHS)</b>
<b>Pub 100-04 Medicare Claims Processing</b>	<b>Centers for Medicare &amp; Medicaid Services (CMS)</b>
<b>Transmittal 10321</b>	<b>Date: August 28, 2020</b>
	<b>Change Request 11858</b>

**SUBJECT: Inpatient Rehabilitation Facility (IRF) Annual Update: Prospective Payment System (PPS) Pricer Changes for FY 2021**

**I. SUMMARY OF CHANGES:** A new IRF PRICER software package will be released prior to October 1, 2020, that will contain the updated rates that are effective for claims with discharges that fall within October 1, 2020, through September 30, 2021. chapter 3, section 140.2 of publication 100-04 Medicare Claims Processing Manual is being updated accordingly.

**EFFECTIVE DATE: October 1, 2020**

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

**IMPLEMENTATION DATE: October 5, 2020**

*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.*

<b>R/N/D</b>	<b>CHAPTER / SECTION / SUBSECTION / TITLE</b>
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**

# Attachment - Recurring Update Notification

Pub. 100-04	Transmittal: 10321	Date: August 28, 2020	Change Request: 11858
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**EFFECTIVE DATE: October 1, 2020**

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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:** The FY 2021 IRF PPS Final Rule sets forth the prospective payment rates applicable for IRFs for FY 2021. A new IRF PRICER software package will be released prior to October 1, 2020, that will contain the updated rates that are effective for claims with discharges that fall within October 1, 2020 through September 30, 2021. 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, 2020 through September 30, 2021.

**1. PRICER Updates:** For IRF PPS FY 2021 (October 1, 2020 – September 30, 2021)

- The standard Federal rate is: \$16,856
- The adjusted standard Federal rate is: \$16,527
- The fixed loss amount is: \$7,906
- The labor-related share is: 0.730
- The non-labor related share is: 0.270
- Urban national average Cost-to-Charge Ratio (CCR) is: 0.398
- Rural national average CCR is: 0.493
- 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 2021 for IRFs that failed to comply with the data submission requirements during the data collection period January 1, 2019 through December 31, 2019. Thus, in compliance with 1886(j)(7)(A)(i) of the Act, CMS will apply a 2-percentage point reduction to the applicable FY 2021 market basket increase factor (2.4 percent) in calculating an adjusted FY 2021 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. Additionally, reporting-based reductions to the market basket increase factor will not be cumulative; they



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	
	on or after October 1, 2020.									
11858.2	Medicare Contractors shall perform the updates as outlined in the policy section, item 2 “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, 2020.	X								
11858.3	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			
11858.4	MLN Article: CMS will make available an MLN Matters provider education article that will be marketed through the MLN Connects weekly newsletter shortly after the CR is released. MACs shall follow IOM Pub. No. 100-09 Chapter 6, Section 50.2.4.1, instructions for distributing MLN Connects information to providers, posting the article or a direct link to the article on your website, and including the article or a direct link to the article in your bulletin or newsletter. You may supplement MLN Matters articles with localized information benefiting your provider community in billing and administering the Medicare program correctly. Subscribe to the “MLN Matters” listserv to get article release notifications, or review them in the MLN Connects weekly newsletter.	X					

**IV. SUPPORTING INFORMATION**

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

*"Should" denotes a recommendation.*

<b>X-Ref Requirement Number</b>	<b>Recommendations or other supporting information:</b>
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**Section B: All other recommendations and supporting information: N/A**

## **V. CONTACTS**

**Pre-Implementation Contact(s):** Susanne Seagrave, susanne.seagrave@cms.hhs.gov , Anthony Hodge, anthony.hodge@cms.hhs.gov , Catherine Kraemer, catherine.kraemer@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.10321, Issued: 08-28-2020, Effective: 10-01-2020, Implementation: 10-05-2020)*

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 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>