Medicare Learning Network
MLN Matters®
CMS
Information for Medicare Fee-For-Service Health Care Professionals

MLN Matters Number: MM3503
Related Change Request (CR) #: 3503
Related CR Release Date: October 29, 2004
Effective Date: N/A
Related CR Transmittal #: R347CP
Implementation Date: November 29, 2004

Medicare Inpatient Rehabilitation Facility (IRF) Classification Requirements

Note: This article was updated on April 6, 2013, to reflect current Web addresses. All other information remains unchanged.

Provider Types Affected

Inpatient rehabilitation facilities (IRFs)

Provider Action Needed

The Centers for Medicare & Medicaid Services (CMS) recently issued guidance to Medicare fiscal intermediaries (FI) on coding corrections and further clarification of existing policies within the IRF Prospective Payment System (PPS). This article summarizes that guidance.

To ensure accurate claims processing, please stay current on:

- The criteria used for IRF classification and verification; and
- The appropriate use of ICD-9-CM and Impairment Group Codes from the IRF-Patient Assessment Instrument (PAI) database.

Background

Regional Offices (RO) of CMS generally determine that a facility is classified as an IRF on an annual basis at the start of a facility's cost reporting period. The RO's determination applies to the entire cost reporting period for which the determination is made.

If a determination is made by the RO to change the classification of a facility, the IRF status classification remains in effect for the duration of that cost reporting period. How a hospital or unit is classified takes effect only at the start of the facility's cost reporting period.

Medicare IRF Classification Requirements

An IRF that has already been excluded from the acute care hospital PPS is always subject to verification that it continues to meet the criteria necessary to allow the facility to be excluded from the acute care hospital PPS. The results of the verification procedure are used in determining each facility's classification status for the next cost reporting period.

If a facility fails to meet the criteria necessary to be classified as an IRF, but meets the criteria to be classified as an acute care hospital or acute care hospital unit, it may be paid under the acute care hospital PPS.

For the services furnished to a patient who was admitted when the facility was classified as an IRF, but who is discharged after the facility is no longer classified as an IRF, payment to the facility will be from the applicable payment system the facility is paid under when the facility is no longer classified as an IRF.

IRFs that have already been excluded from the acute care hospital PPS need not reapply to be classified as an IRF. However, on an annual basis an IRF must self-attest, except for the criteria specified in §140.1.1B of the Medicare Claims Processing Manual, that it still meets the criteria for being classified as an IRF. The Medicare fiscal intermediary (FI) is always required to verify that an IRF has met the criteria specified in §140.1.1B.

The facility must have approval from the RO and the state agency prior to making changes in operations. All IRFs are notified by letter by the appropriate CMS RO of the self-attestation procedures, and other procedures and requirements that apply to them. Your Medicare FI is not responsible for monitoring or enforcing IRF self-attestation procedures.

Update on FI Documentation Review for Certain Medical Conditions

The FI has the discretion to review documentation (to ensure that an inpatient has completed an appropriate, aggressive, and sustained course of therapy or services in less intensive rehabilitation settings and to ensure that the conditions result in significant functional impairment of ambulation and other activities of daily living that have not improved following such therapy) for the following medical conditions:

- Active, polyarticular rheumatoid arthritis, psoriatic arthritis, and seronegative arthropathies
- Systemic vasculidities with joint inflammation
- Severe or advanced osteoarthritis (osteoarthrosis or degenerative joint disease) involving two or more major weight bearing joints (elbow, shoulders, hips, or knees, but not counting a joint with a prosthesis) with joint deformity

and substantial loss of range of motion and atrophy of muscles surrounding the joint.

CMS expects that the IRF will obtain copies of the therapy notes from the outpatient therapy or therapy in another less intensive setting and place it in the patient's inpatient chart (in a section for prior records). These prior records will primarily be used by therapists and others caring for the inpatient in the IRF; however, prior records will also be available to FI staff who review the medical records for compliance with the requirements specified in §140.1.1B.

Clarification on Verification Process (§140.1.4 of the Medicare Claims Processing Manual)

In §140.1.4. of the Medicare Claims Processing Manual, the following guidelines have been included:

1. General Guideline to Determine the Compliance Review Period

In general, the RO and FI will use data from a most recent, consecutive, and appropriate 12-month time period (as defined by CMS or the FI) that starts on or after July 1, 2004, to determine if a facility is in compliance with all of the criteria used to classify a facility as an IRF. The RO and FI will notify the facility regarding which most recent, consecutive, and appropriate 12-month period will be used as the review time period when they determine if the criteria used to classify a facility as an IRF was met.

The RO and FI will begin four months prior to the start of the facility's next cost reporting time period the process necessary to verify all the criteria used to classify a facility as an IRF. If for any reason the RO or FI requires additional time to complete their compliance review, the RO and FI must consult with the facility prior to changing the compliance time period subject to review, and before using patient data that may overlap patient data from the previous 12-month review period.

2. Guideline for Compliance Review Period Transition Cases

If an IRF has a cost reporting period beginning on or after July 1, 2004, and before November 1, 2004, the RO and FI cannot collect 12 months of the most recent, consecutive, and appropriate data from a period falling completely after, as opposed to before, July 1, 2004, and have the four months of time necessary to make the compliance determination.

To illustrate, to determine whether a hospital with a cost reporting period beginning on July 1, 2004, should continue to be classified as an IRF for the cost reporting period beginning on July 1, 2005, the RO and FI would have to start their compliance review 4 months prior to July 1, 2005, which means that the compliance review will start on March 1, 2005.

As stated above, in general the RO and FI will use 12 months of data from the most recent, consecutive, and appropriate time period that is after July 1, 2004. Starting the compliance review on March 1, 2005, means that the RO and FI must

use data from the previous 12 months, which is March 1, 2004, to February 28, 2005. However, using data from March 1, 2004, to February 28, 2005, would result in the RO and FI using four months of data, that is, March 1, 2004, to June 30, 2004, from a time period that is before July 1, 2004.

3. Table of Compliance Review Periods

For a facility that has been classified as an IRF but is not a "new" IRF as defined below in §140.1.7, the following table illustrates how both the *General Guideline To Determine the Compliance Review Period*, and the *Guideline for Compliance Review Period Transition Cases* are used to calculate the applicable compliance review time period.

For cost reporting periods that start on or after July 1, 2004, and on or before October 1, 2005, the following are the compliance review periods. For these table of compliance review periods, the patient cases used will be any admission that occurred during the compliance review period and that was also discharged during the compliance review period, and any other discharges that occur during the compliance review period.

For Cost Reporting Periods Beginning On	Review Period: (Admissions During)	Number of Months in Review Period	Compliance Determination Applies to Cost Reporting Period Beginning On
07/01/2004	07/01/2004-02/28/2005	8	07/01/2005
08/01/2004	07/01/2004-03/31/2005	9	08/01/2005
09/01/2004	07/01/2004-04/30/2005	10	09/01/2005
10/01/2004	07/01/2004-05/31/2005	11	10/01/2005
11/01/2004	07/01/2004-06/30/2005	12	11/01/2005
12/01/2004	08/01/2004-07/31/2005	12	12/01/2005
01/01/2005	09/01/2004-08/31/2005	12	01/01/2006
02/01/2005	10/01/2004-09/30/2005	12	02/01/2006
03/01/2005	11/01/2004-10/31/2005	12	03/01/2006
04/01/2005	12/01/2004-11/30/2005	12	04/01/2006
05/01/2005	01/01/2005-12/31/2005	12	05/01/2006
06/01/2005	02/01/2005-01/31/2006	12	06/01/2006
07/01/2005	03/01/2005-	12	07/01/2006

For Cost Reporting Periods Beginning On	Review Period: (Admissions During)	Number of Months in Review Period	Compliance Determination Applies to Cost Reporting Period Beginning On
	02/28/2006		
08/01/2005	04/01/2005-03/31/2006	12	08/01/2006
09/01/2005	05/01/2005-04/30/2006	12	09/01/2006
10/01/2005	06/01/2005-05/31/2006	12	10/01/2006

As illustrated in the table above, if a cost reporting period starts on or after July 1, 2004, and before November 1, 2004, data from a compliance review period that is less than 12 months in length will be used to determine if the facility met all of the criteria necessary to be classified as an IRF for the next cost reporting period. For cost reporting periods beginning on or after November 1, 2004, data from the most recent, consecutive, and appropriate 12-month period of time would be used, giving the ROs and FIs a 4-month time period to make and administer a compliance determination.

4. Guideline for Determining the Compliance Review Period of a Facility Classified as a New IRF, and for an IRF Expanding its Size

For an IRF to be classified as a new IRF, or to add new bed capacity, it must meet the criteria specified in the regulations and below in §140.1.7. A facility classified as a new IRF, or adding new bed capacity, will have a compliance review period that is similar to an IRF whose cost reporting period begins on July 1, 2004. In other words, a facility classified as a new IRF, or adding new bed capacity, will have a compliance review period that starts immediately when its cost reporting period starts, and ends four months before the start of its next cost reporting period.

For example, if a facility has a cost reporting period that starts on July 1, 2004, and is undergoing the conversion process to be classified as an IRF, its compliance review period would start on July 1, 2004, and end on February 28, 2005. Thus, a facility classified as a new IRF, or adding new bed capacity, will have a compliance review period that is eight months in length, to allow the RO and FI a 4-month time period to make and administer a compliance determination.

The compliance threshold for a facility classified as a new IRF, or adding new bed capacity, which had a cost reporting period that started on or after June 30, 2003, and before July 1, 2004, will be as specified above in §140.1.1B1.

5. Guideline for Determining the Compliance Review Period of a Facility Undergoing Conversion to an IRF

A facility undergoing the conversion process to be classified as an IRF will have a compliance review period that is similar to an IRF whose cost reporting periods

begins on July 1, 2004. In other words, a facility undergoing the conversion process to be classified as an IRF will have a compliance review period that starts immediately when the cost reporting period starts and ends four months before the start of its next cost reporting period.

For example, if a facility has a cost reporting period that starts on July 1, 2004, and is undergoing the conversion process to be classified as an IRF, its compliance review period would start on July 1, 2004, and end on February 28, 2005. Thus, a facility that is undergoing the conversion process to be classified as an IRF will have a compliance review period that is eight months in length, to allow the RO and FI a 4-month time period to make and administer a compliance determination.

The compliance threshold for a facility undergoing the conversion process to be classified as an IRF that had a cost reporting period that started on or after June 30, 2003, and before July 1, 2004, will be as specified above in §140.1.1B1.

6. Guideline for Determining the Compliance Review Period of a Facility that Changes Its Cost Reporting Period

A facility that changes its cost reporting period will have a compliance review period that, in accordance with the above table, is based on its new cost reporting period.

Verification of Compliance Using ICD-9-CM and Impairment Group Codes

Appendix A of Chapter 140 includes ICD-9-CM and impairment group codes from the IRF-PAI database that will be used to presumptively verify compliance with the requirements specified in §140.1.1B. The instructions specified in §140.1.4B(1), §140.1.4B(2), and in Appendix A are to be used by your FI when verifying compliance with the requirements specified in §140.1.1B.

The instructions in §140.1.4B(1) and §140.1.4B(2) and this Appendix are not intended to be used to complete the IRF-PAI. To complete the IRF-PAI, an IRF must use the instructions in the IRF-PAI manual and any other CMS approved instructions that specifically state how to complete the IRF-PAI.

Additional Information

Appendix A, as well as other revised portions of the *Medicare Claims Processing Manual*, are attached to the official instruction issued to your FI regarding this change, which can be found at http://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/downloads/R347CP.pdf on the CMS website.

You may also refer to CR 3334 and MM3334 on Medicare Inpatient Rehabilitation Facility Classification Requirements for additional background information. CR3334 may be found at the same site as mentioned above for CR3503, but click

on the file for CR3334. MM3334 may be found at http://www.cms.gov/outreach-and-education/medicare-learning-network-mln/mlnmattersarticles/downloads/MM3334.pdf on the CMS website.

If you have questions regarding this issue, you may also contact your fiscal intermediary at their toll free number, which may be found at http://www.cms.gov/Research-Statistics-Data-and-Systems/Monitoring-Programs/provider-compliance-interactive-map/index.html on the CMS website.