CMS Manual System	**Department of Health & Human Services (DHHS)**
Pub 100-04 Medicare Claims Processing	**Centers for Medicare & Medicaid Services (CMS)**
Transmittal 2769	**Date: August 16, 2013**
	Change Request 8326

SUBJECT: Inpatient Rehabilitation Facility (IRF) Annual Update: Prospective Payment System (PPS) Pricer Changes for FY 2014

I. SUMMARY OF CHANGES: A new IRF PRICER software package will be released prior to October 1, 2013, that will contain the updated rates that are effective for claims with discharges that fall within October 1, 2013, through September 30, 2014.

EFFECTIVE DATE: October 1, 2013
IMPLEMENTATION DATE: October 7, 2013

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
R	3/140.2/Payment Provisions Under IRF PPS
N	3/140.2.11/Quality Reporting Program

III. FUNDING:
For Fiscal Intermediaries (FIs), Regional Home Health Intermediaries (RHHIs) and/or Carriers:
No additional funding will be provided by CMS; Contractors activities are to be carried out with their operating budgets

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 obliged 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
Manual Instruction

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

Attachment - Recurring Update Notification

Pub. 100-04	Transmittal: 2769	Date: August 16, 2013	Change Request: 8326

SUBJECT: Inpatient Rehabilitation Facility (IRF) Annual Update: Prospective Payment System (PPS) Pricer Changes for FY 2014

EFFECTIVE DATE: October 1, 2013
IMPLEMENTATION DATE: October 7, 2013

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, 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. Additionally, 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 which we will implement for FY 2014 IRF PPS payments.

B. Policy: The FY 2014 IRF PPS Final Rule issued on July 31, 2013, sets forth the prospective payment rates applicable for IRFs for FY 2014. A new IRF PRICER software package will be released prior to October 1, 2013, that will contain the updated rates that are effective for claims with discharges that fall within October 1, 2013, through September 30, 2014. 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, 2013, through September 30, 2014.

PRICER Updates: For IRF PPS FY 2014 (October 1, 2013 – September 30, 2014)

1. The standard Federal rate is: **$14,846**

2. The adjusted standard Federal rate is: **$14,555**

3. The fixed loss amount is: **$ 9,272**

4. The labor-related share is: **0.**69494

5. The non-labor related share is: **0.**30506

6. Urban national average CCR is: **0.516**

7. Rural national average CCR is: **0.643**

8. The Low Income Patient (LIP) Adjustment is: **0.3177**

9. The Teaching Adjustment is: **1.0163**

10. 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. FY 2014 is to be the first year that the mandated reduction will be applied for IRFs that failed to comply with

the data submission requirements during the data collection period October 1, 2012 through December 31, 2012. Thus, in compliance with 1886(j)(7)(A)(i) of the Act, we will apply a 2 percentage point reduction to the applicable FY 2014 market basket increase factor (1.8 percent) in calculating an adjusted FY 2014 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 2014 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 October 1, 2012 through December 31, 2012 will be $14,555.

II. BUSINESS REQUIREMENTS TABLE

"Shall" denotes a mandatory requirement, and "should" denotes an optional requirement.

Number	Requirement	Responsibility											
		A/B MAC			DME MAC	FI	CARRIER	RHHI	Shared-System Maintainers				Other
		A	B	HHH					FISS	MCS	VMS	CWF	
8326.1	Contractors shall install and pay IRF claims with the FY 2014 IRF PPS Pricer for discharges on or after October 1, 2013.	X				X			X				
8326.2	Contractors shall notify IRFs that have failed to comply with the quality data submission requirements.	X				X							

III. PROVIDER EDUCATION TABLE

Number	Requirement	Responsibility							
		A/B MAC			DME MAC	FI	CARRIER	RHHI	Other
		A	B	HHH					
8326.3	MLN Article : A provider education article related to this instruction will be available at http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/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	X				X			

Number	Requirement	Responsibility							
		A/B MAC			DME MAC	FI	CARRIER	RHHI	Other
		A	B	HHH					
	this article, on their Web sites and include information about it in a listserv message within one week of the availability of the provider education article. In addition, the provider education article shall be included in the contractor's next regularly scheduled bulletin. 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.								

IV. SUPPORTING INFORMATION

Section A: Recommendations and supporting information associated with listed requirements:

"Should" denotes a recommendation.

X-Ref Requirement Number	Recommendations or other supporting information:
8326.2	**Refer to attachment 1**

Section B: All other recommendations and supporting information: N/A

V. CONTACTS

Pre-Implementation Contact(s): Fred Rooke, 404-562-7205 or fred.rooke@cms.hhs.gov (for institutional claims processing) , Susanne Seagrave, 410-786-0044 or susanne.seagrave@cms.hhs.gov (for policy) , Sarah Shirey-Lossos, 410-786-0187 or sarah.shirey-losso@cms.hhs.gov (for institutional claims processing)

Post-Implementation Contact(s): Contact your Contracting Officer's Representative (COR) or Contractor Manager, as applicable.

VI. FUNDING

Section A: For Fiscal Intermediaries (FIs), Regional Home Health Intermediaries (RHHIs), and/or Carriers:
No additional funding will be provided by CMS; Contractors activities are to be carried out with their operating budgets

Section B: For Medicare Administrative Contractors (MACs):
The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS do 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.

ATTACHMENT: 1

Attachment 1

Model language for dispute determination letters:

“This letter is in response to your request for reconsideration of the scheduled 2% reduction in payments to your facility, due to your facility being identified as non-compliant in submitting the IRF Quality Reporting data.

CMS has reviewed the documentation you provided and determined that your facility is subject to the 2% reduction in IRF PPS payments for FY[insert upcoming year], due to your facility’s noncompliance with submitting quality data during the required timeframes. Specifically, CMS officials found [insert CMS-provided statement of findings]. If your facility wishes to further appeal this determination, the appeals process set forth in 42 CFR Part 405, Subpart R (a Provider Reimbursement Review Board (PRRB) appeal) applies.”

Medicare Claims Processing Manual

Chapter 3 - Inpatient Hospital Billing

Table of Contents

(Rev.2769, Issued: 08-16- 13)

140.2 - Payment Provisions Under IRF PPS

(Rev.2769, Issued: 08-16- 13, Effective: 10-01-13, Implementation: 10-07-13)

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 widow 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 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 Web site*:*
http://www.cms.hhs.gov/Transmittals/01_Overview.asp

140.2.11 – Quality Reporting Program

(Rev.2769, Issued: 08-16- 13, Effective: 10-01-13, Implementation: 10-07-13)

Section 1886 (j)(7)(A)(i) of the Act requires application of a 2% reduction of the applicable market basket increase factor for IRFs that fail to comply with the quality data submission requirements. FY 2014 is to be the first year that the mandated reduction will be applied for IRFs that failed to comply with the data submission requirements during the data collection period October 1, 2012 through December 31, 2012. Thus, in compliance with 1886(j)(7)(A)(i) of the Act, we will apply a 2 percentage point reduction to the applicable FY 2014 market basket increase factor in calculating an adjusted FY 2014 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% 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 2014 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 October 1, 2012 through December 2012 will be $14,555.

After the reconsideration process has occurred and prior to October 1 of each FY, CMS will provide the Medicare contractors with a final list of IRFs that failed to comply with the data submission requirements. The Medicare contractors will then be responsible for notifying each IRF that failed to comply with the

quality data submission requirements that it will receive a 2% reduction in payment. Additionally, the Medicare contractors shall include information regarding the IRFs right to further appeal the 2% reduction via the Provider Reimbursement Review Board (PRRB) appeals process. Contractors shall send this second letter only to IRFs that requested a reconsideration. Medicare contractors shall include the model language at the end of this section in their notification letter to the IRFs.

The Medicare contractor shall update (or not update) the IRF's provider file based on the appropriate scenario listed below:

- *If the IRF was notified that it was potentially subject to the 2% reduction, and did not request a reconsideration, then the Medicare contractor shall set a quality reporting indicator in the provider file that triggers Medicare systems to calculate the 2% reduction on all of the IRF's claims for the upcoming fiscal year.*
- *If the IRF was notified that it was potentially subject to the 2% reduction, and requested a reconsideration, but on reconsideration CMS upheld the decision to apply the 2% reduction, then the Medicare contractor shall set a quality reporting indicator in the provider file that triggers Medicare systems to calculate the 2% reduction on all of the IRF's claims for the upcoming fiscal year.*
- *If the IRF was notified that it was potentially subject to the 2% reduction, and requested a reconsideration, and on reconsideration CMS determined that the IRF should not be subject to the 2% reduction (i.e., reversed its decision), then the Medicare contractor shall not update the quality reporting indicator in the IRF's provider file and shall notify the IRF that they will receive their full IRF PPS payment update for the upcoming fiscal year.*
- *If the IRF submitted the necessary IRF Quality Reporting data and was never notified that it might potentially be subject to the 2% reduction, then the Medicare contractor shall take no action regarding the quality reporting indicator in the IRF's provider file.*