



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

MLN Matters Number: MM11858

Related Change Request (CR) Number: 11858

Related CR Release Date: August 28, 2020

Effective Date: October 1, 2020

Related CR Transmittal Number: R10321CP

Implementation Date: October 5, 2020

PROVIDER TYPE AFFECTED

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

WHAT YOU NEED TO KNOW

This article notifies IRFs that Medicare will release a new IRF PRICER software package prior to October 1, 2020. It will contain updated rates that are effective for IRF claims with discharges that fall within October 1, 2020, through September 30, 2021. Make sure your billing staffs are aware of these changes.

BACKGROUND

On August 7, 2001, the Centers for Medicaid & Medicare Services (CMS) published in the Federal Register a final rule that established the Prospective Payment System (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 Section 1886(j)(3)(C) of the Act. The following table lists the rates for Fiscal Year (FY) 2021.

Table 1: For IRF PPS FY 2021 (October 1, 2020-September 30, 2021)

Pricer Update	Amount
Standard Federal Rate	\$16,856
Adjusted Standard Federal Rate	\$16,527
Fixed Loss Amount	\$7,906
Labor-Related Share	0.730

Pricer Update	Amount
Non-Labor Related Share	0.270
Urban National Average Cost-to-Charge Ratio (CCR)	0.398
Rural National Average CCR	0.493
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 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, 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 an FY and in payment rates for an FY being less than such payment rates for the preceding FY. Additionally, reporting-based reductions to the market basket increase factor will not be cumulative; they will only apply for the FY involved.

The adjusted FY 2021 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, 2019, through December 31, 2019, will be \$16,527.

ADDITIONAL INFORMATION

The official instruction, CR 11858, issued to your MAC regarding this change is available at <https://www.cms.gov/files/document/r10321cp.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
September 3, 2020	Initial article released.

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