CMS Manual System	Department of Health & Human Services (DHHS)
Pub 100-04 Medicare Claims Processing	Centers for Medicare & Medicaid Services (CMS)
Transmittal 10321	<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*.

R/N/D	CHAPTER / SECTION / SUBSECTION / TITLE
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

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

**EFFECTIVE DATE: October 1, 2020** 

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

**IMPLEMENTATION DATE: October 5, 2020** 

#### 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

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.

### 2. Provider Specific File (PSF) Updates

Effective Fiscal Year (FY) 2021 a five percent cap will be adopted and applied to all Inpatient Rehabilitation Facility providers on any decrease to a provider's FY 2021 final wage index from that provider's final wage index of the prior fiscal year (FY 2020). To capture these policy changes, the following fields will be added to the Provider Specific File:

- 1. Supplemental Wage Index used for the prior fiscal year wage index value
- 2. **Supplemental Wage Index Indicator** used to indicate the value in the "Supplemental Wage Index" field is the prior fiscal year wage index.

Medicare Administrative Contractors must update the "Supplemental Wage Index" and "Supplemental Wage Index Indicator" for all the IRF providers who were active in FY 2020.

Medicare Administrative Contractors must follow the steps below to ensure the appropriate values are applied in the Supplemental Wage Index and Supplemental Wage Indicator fields:

- 1. If the provider was **not active** for FY 2020, then **skip** all of the below steps and leave the "Supplemental Wage Index" and "Supplemental Wage Index Indicator" fields blank. If the provider was **active** for FY 2020, then **follow the steps below**.
- 2. Update the value of "Supplemental Wage Index Indicator" to be "1".
- 3. Validate the accuracy of the provider's FIPS state and county codes.
- 4. Validate the accuracy of the provider's FY 2020 CBSA based on the provider's FIPS state and county codes and the CBSA delineations defined in OMB Bulletin No. 17–01.
- 5. Using the Final FY2020 IRF Wage Index file CMS1710-F\_wageindex (xlsx) available online at https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientRehabFacPPS/List-of-IRF-Federal-Regulations-Items/CMS-1710-F, identify the corresponding FY 2020 wage index value for the provider's FY 2020 CBSA, and add this wage index value to "Supplemental Wage Index" field.

### II. BUSINESS REQUIREMENTS TABLE

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

Number	Requirement	Responsibility								
			A/B	}	D		Sha	red-		Other
		N	MA(	$\mathbb{C}$	M		Sys	tem	1	
					Е	M	aint	aine	ers	
		A	В	Н		F	M	V	C	
				Н	M	I	C	M	W	
				Н	A	S	S	S	F	
					C	S				
11858.1	Contractors shall update the PRMODERN PARM's	X								
	IRF Pricer date range to 2015 – 2021 to call the FY									
	2021 IRF PPS Pricer to pay IRF claims for discharges									

Number	Requirement	Responsibility										
			A/B MAC		MAC N			D Shared- M System E Maintainers				Other
		A	В	H H H	M A C	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		spo	nsib	ility	
			A/B		D	С
		I	MAC			Е
			•	•	Е	D
		A	В	Н	3.6	I
				Н	M	
				Н	A	
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\$

<sup>&</sup>quot;Should" denotes a recommendation.

X-Ref	Recommendations or other supporting information:
Requirement	
Number	

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):**

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.

**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