American Hospital Association

Special Bulletin

Friday, April 24, 2015

CMS RELEASES FY 2016 PROPOSED RULE FOR IRFs

The Centers for Medicare & Medicaid Services (CMS) late yesterday issued a proposed rule for the inpatient rehabilitation facility (IRF) prospective payment system (PPS) for fiscal year (FY) 2016. AHA staff will provide a more detailed summary of the rule in the coming weeks, and host a call (see information below) with members on May 14. Highlights of the rule follow.

Proposed FY 2016 Payment Update: CMS proposes to update IRF PPS rates by 1.7 percent or $130 million compared to FY 2015. This update includes an initial 2.7 percent market-basket adjustment, less 0.6 percentage point for productivity, less an additional 0.2 percentage point mandated by the Affordable Care Act. In order to maintain the IRF outlier pool of 3.0 percent of total payments, CMS proposes to increase the IRF outlier threshold, which would reduce payments by an additional 0.2 percentage point.

In addition, CMS proposes to implement a new IRF-specific market basket in FY 2016, which would replace the rehabilitation, psychiatric and long-term care (RPL) market basket. The IRF-specific market basket is based on FY 2012 data from both freestanding and hospital-based IRFs. For FY 2016, the proposed new market basket estimate is 2.7 percent, while the RPL market basket is estimated to be 2.8 percent.

As it did with FY 2015 payments, CMS would freeze the IRF facility-level payment add-ons for rural, teaching and “low-income population” IRFs at FY 2014 levels.

Proposed Wage Index Change: CMS proposes to implement new wage index boundaries for the FY 2016 IRF PPS, which are based on the most recent Office of Management and Budget delineations. CMS would implement this change with a one-year transition in FY 2016 that uses a 50-50 blend of an IRF’s FY 2016 wage index using the previous boundaries and its FY 2016 wage index using the updated boundaries. Under this change, 19 IRFs would change from rural to urban, thus losing eligibility for the rural payment add-on of 14.9 percent. For these hospitals, CMS proposes a phase-out of the rural payment add-on, providing them with two-thirds of the adjustment in FY 2016, one-third in FY 2017 and no adjustment thereafter.

ICD-10 Conversion: ICD-10 is scheduled to take effect for the IRF PPS on Oct. 1, 2015, and will become the required medical data code set for both Medicare claims and IRF-patient assessment instrument submissions.

IRF Quality Reporting Program (QRP): To address the IRF QRP changes mandated in the Improving Medicare Post-Acute Care Transformation Act of 2014, CMS proposes to re-adopt one skin integrity measure and proposes six new measures assessing functional status and falls with injury. The reporting of these measures would be tied to FY 2018 payment. CMS also proposes to begin publicly reporting certain IRF QRP data in the fall of FY 2016. Lastly, CMS proposes to suspend temporarily the IRF QRP's data-validation process.

AHA Member Call: AHA's IRF members may join an invitation-only call on Thursday, May 14 at 4 p.m. ET. On the call, AHA staff will review the rule, and members will have an opportunity to raise questions and concerns. Click here to register in advance. AHA IRF members have received a separate invitation for this call.

The IRF PPS proposed rule will be published in the April 27 *Federal Register* and comments will be accepted by CMS through June 22.