Illinois Health and Hospital Association

MEDICARE PAYMENT FACT SHEET

APRIL 2023

FY 2024 INPATIENT REHABILITATION FACILITY PROSPECTIVE PAYMENT SYSTEM PROPOSED RULE (CMS-1781-P)

On April 7, the Centers for Medicare & Medicaid Services (CMS) published the federal fiscal year (FY) 2024 Inpatient Rehabilitation Facility (IRF) Prospective Payment System (PPS) proposed rule effective Oct. 1, 2023 through Sept. 30, 2024 in the *Federal Register*. CMS estimates a 3.7%, or $335 million, increase in IRF payments in FY 2024 relative to FY 2023.

Comments on this proposed rule are due June 2.

Rate Update: CMS proposed a 3.2% IRF market basket update, an Affordable Care Act-mandated productivity reduction of 0.2 percentage points, a 1.0032 wage index/labor-related share budget neutrality adjustment, and a 0.9999 case-mix groups (CMG) and CMS relative weight revisions budget neutrality adjustment. This results in an overall proposed rate change of 3.32%. IRF providers that do not submit the required quality data will experience a two percentage point reduction to their market basket.

Table 2 lists relative weight and average length of stay (ALOS) changes by CMG. CMS found that 99.4% of all IRF cases are in CMGs and tiers that would experience less than a 5% change (either increase or decrease) in the CMG relative weight value as a result of updates based on FY 2022 IRF claims and FY 2021 IRF cost report data.

The FY 2024 proposed standard payment conversion factor is $18,471, up from the FY 2023 final standard payment conversion factor of $17,878. Table 15 displays the FY 2024 payment rates after the applying CMG relative weights.

Update to the IRF Market Basket Base Year: CMS proposed rebasing and revising the IRF market basket to reflect a 2021 base year, beginning with FY 2024, rather than the current 2016 base year for both freestanding and hospital-based IRFs.

Changes to the Regulation for Excluded IRF Units Paid Under the IRF PPS: Currently, inpatient rehabilitation facilities located within hospitals that want to be paid under the IRF PPS and excluded from the inpatient prospective payment system (IPPS) must do so at the start of a cost reporting period. Such excluded units may not attain this payment status in the middle of a cost reporting period.

In this proposed rule, CMS stated it believes this is a burdensome requirement for hospitals because it is difficult to predict the exact timing of the end of a construction project for a new unit. If construction does not align with the start of a cost reporting period, it can lead to significant revenue loss.

Additionally, current requirements were established when excluded IRF units were paid at cost-based reimbursement and not PPS. Therefore, CMS stated the restriction that limits an IRF unit to gaining excluded-unit status to the start of a cost reporting period is no longer necessary.

Finally, CMS noted that advancements in technology have simplified the cost reporting process and have enhanced communication between providers. Therefore, CMS proposed allowing a hospital to open a new IRF unit any time within the cost reporting year, as long as the hospital provides notification in writing of the change to both CMS and their Medicare Administrative Contractor at least 30 days before the date of the change. Additionally, CMS proposed that if a unit becomes IPPS-excluded during a cost reporting year, this change would remain in effect for the rest of that cost reporting year.

Wage Index: CMS proposed continued use of the current pre-floor, pre-reclassified inpatient hospital wage index for the IRF PPS wage index:

CBSA	Proposed FY 2024	Final FY 2023
Bloomington	0.8589	0.9247
Cape Girardeau	0.7258	0.8052
Carbondale	0.8154	0.8353
Champaign-Urbana	0.8909	0.8916
Chicago-Naperville-Evanston	1.0431	1.0437
Danville	0.9299	0.9376
Decatur	0.8806	0.8698
Elgin	1.0294	1.0341
Kankakee	0.9156	0.9192
Lake County	0.9879	0.9828
Peoria	0.8281	0.8516
Rock Island	0.7896	0.7803
Rockford	0.9350	0.9617
St. Louis	0.9406	0.9517
Springfield	0.9167	0.8669
Rural	0.8335	0.8433

CMS proposed a labor-related share of 74.1%, up from 27.9% in FY 2023.

Outlier Payments and Cost-to-Charge Ratios: CMS proposed a FY 2024 outlier threshold value of $9,690, a 22.6% decrease from the FY 2023 threshold of $12,256.

CMS proposed a FY 2024 national cost-to-charge ratio (CCR) ceiling of 1.45, a rural average CCR of 0.487 and an urban average CCR of 0.398.

IRF Quality Reporting Program (QRP): Table 17 lists the quality measures currently adopted for the FY 2024 IRF QRP.

CMS proposed adopting two new measures:

- Discharge Function Score Measure (beginning with FFY 2025 IRF QRP); and
- COVID-19 Vaccine: Percent of Patients/Residents Who Are Up to Date (beginning with FFY 2026 IRF QRP).

CMS proposed removing three measures beginning with the FFY 2025 IRF QRP:

- Application of Percent of LTCH Patients with an Admission and Discharge Functional Assessment and a Care Plan That Addresses Function;
- IRF Functional Outcome Measure: Change in Self-Care Score for Medical Rehabilitation Patients; and
- IRF Functional Outcome Measure: Change in Mobility for Medical Rehabilitation Patients.

Beginning with the FY 2025 IRF QRP, CMS proposed modifying the "COVID-19 Vaccination Coverage Among Healthcare Personnel" measure to replace the term "complete vaccination course" with the term "up-to-date" in the healthcare personnel vaccination definition. CMS also proposed updating the numerator to specify the time frames within which a healthcare personnel is considered up-to-date with recommended COVID-19 vaccines.

CMS also proposed beginning public reporting of the "Transfer of Health Information to the Provider-PAC" and "Transfer of Health Information to the Patient-PAC" measures beginning with the Sept. 2024 Care Compare refresh or as soon as possible.

Finally, CMS solicited comment on principles for selecting and prioritizing QRP measures; IRF QRP measure gaps; and measures and measure concepts recommended for use in the IRF QRP.

Sources:
Centers for Medicare & Medicaid Services. Medicare Program; Inpatient Rehabilitation Facility Prospective Payment System for Federal Fiscal Year 2024 and Updates to the IRF Quality Reporting Program. April 7, 2023. Available from: https://www.federalregister.gov/documents/2023/04/07/2023-06968/medicare-program-inpatient-rehabilitation-facility-prospective-payment-system-for-federal-fiscal. Accessed April 17, 2023.

Centers for Medicare & Medicaid Services. CMS-1781-P. Available from: https://www.cms.gov/medicare/medicare-fee-service-payment/inpatientrehabfacpps/irf-rules-and-related-files/cms-1781-p. Accessed April 17, 2023.