Illinois Health and Hospital Association

MEDICARE PAYMENT FACT SHEET

AUGUST 2022

FY 2023 INPATIENT REHABILITATION FACILITY PROSPECTIVE PAYMENT SYSTEM FINAL RULE (CMS-1767-F)

On July 27, the Centers for Medicare & Medicaid Services (CMS) posted its fiscal year (FY) 2023 Inpatient Rehabilitation Facility (IRF) Prospective Payment System (PPS) final rule effective Oct. 1, 2022 through Sept. 30, 2023. After accounting for all payment and budget neutrality factors, CMS finalized a 3.2%, or $275 million, increase in IRF PPS payments relative to FY 2022.

Rate Update: CMS finalized a 4.2% IRF market basket update, an Affordable Care Act-mandated productivity reduction of 0.3 percentage points, and a 0.6 percentage point decrease in outlier payments resulting in a 3.2% increase in FY 2023 IRF PPS payments compared to FY 2022. IRF providers that do not submit the required quality data will experience a two percentage point reduction to their market basket.

Table 2 of the final rule lists relative weight and average length of stay (ALOS) changes by Case-Mix Group (CMG). CMS found that 98.9% 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 finalized revisions. Finalized ALOS changes do not show any particular trends in IRF length of stay patterns.

The FY 2023 final standard payment conversion factor is $17,878. Table 6 displays the FY 2023 payment rates after application of CMG relative weights.

Wage Index: CMS finalized its proposal to permanently implement a 5% cap on any decrease in an IRF's wage index from the previous year, regardless of the circumstances causing a wage index decline. This policy will be budget neutral.

CMS will continue to use the updated pre-reclassification and pre-floor Inpatient Prospective Payment System (IPPS) wage index data to develop the FY 2023 IRF PPS wage index. CMS will post final FY 2023 wage index values here.

CMS finalized a labor-related share of 72.9%, which is unchanged from FY 2022.

Outlier Payments and Cost-to-Charge Ratios: CMS finalized a FY 2023 outlier threshold amount of $12,526. While still a significant increase from the FY 2022 threshold ($9,491), the finalized amount is lower than the proposed outlier threshold of $13,038.

CMS finalized a FY 2023 cost-to-charge ratio (CCR) ceiling of 1.41, a rural average CCR of 0.466 and an urban average CCR of 0.392.

IRF Quality Reporting Program (QRP): Table 11 displays the 18 measures currently adopted for the FY 2023 IRF QRP program year. There were no proposals for new IRF QRP measures.

Regarding CMS' request for information on health equity, CMS continues to explore ways to address health equity through the Medicare quality programs. CMS stated it will continue to

take concerns, comments, and suggestions into account for future development and expansion of policies to advance health equity through the IRF QRP.

CMS finalized its proposal to begin requiring quality data reporting on all IRF patients, regardless of payer. However, CMS delayed this requirement until the FY 2026 IRF QRP. IRFs will need to begin reporting data with respect to admission and discharge of all patients between Oct. 1, 2024 and Dec. 31, 2024. Additionally, CMS will revise the IRF-Patient Assessment Instrument (PAI), replacing the current item identifying payment source on the IRF-PAI admission assessment to collect additional payer information. A draft IRF-PAI containing this new item will be available here, and CMS will notify stakeholders when it is available.

IRF Teaching Status Adjustment Policy: CMS will codify two longstanding teaching status adjustment policies:

1. The definition of "factor" and explanation of how it is computed (FY 2006 IRF PPS final rule); and
2. Temporary FTE cap adjustments reflecting additional residents in an IRF's teaching program because another IRF or residency program closed (FY 2012 IRF PPS final rule).

Additionally, CMS finalized updates to the IRF teaching policy, better aligning IRF policies with IPPS policies, including:

1. Linking the status of displaced residents to the day that an IRF or residency program closure is publicly announced;
2. Removing the link between the status of displaced residents and their presence at the closing IRF or residency program on the day prior to or the day of the closure;
3. Changes to letters that receiving IRFs must submit to their Medicare Administrative Contractor (MAC) in order to request a temporary increase in their FTE resident cap; and
4. If there are more displaced IRF residents than available FTE cap slots, the slots may be apportioned according to the closing IRF's discretion.

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Sources:
Centers for Medicare & Medicaid Services. Medicare Program: Inpatient Rehabilitation Facility Prospective Payment System for Federal Fiscal Year 2023 and Updates to the IRF Quality Reporting Program. July 27, 2022. Available from: https://www.federalregister.gov/public-inspection/2022-16225/medicare-program-inpatient-rehabilitation-facility-prospective-payment-system-for-federal-fiscal. Accessed July 28, 2022.