	<p><b>Attention Providers!</b></p> <p>Effective October 1, 2006, Medicare will only generate the Health Insurance Portability and Accountability Act (HIPAA) compliant remittance advice – transaction 835 version 004010A1 – to all electronic remittance advice receivers. For more details, see MLN Matters article SE0656 at <a href="http://www.cms.hhs.gov/MLNMattersArticles/downloads/SE0656.pdf">http://www.cms.hhs.gov/MLNMattersArticles/downloads/SE0656.pdf</a>.</p>
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MLN Matters Number: MM5273

Related Change Request (CR) #: 5273

Related CR Release Date: September 8, 2006

Effective Date: October 1, 2006

Related CR Transmittal #: R1053CP

Implementation Date: October 2, 2006

## Inpatient Rehabilitation Facility (IRF) Annual Update: Prospective Payment System (PPS) Pricer Changes for FY 2007

### Provider Types Affected

Providers submitting claims to Medicare fiscal intermediaries (FIs) for IRF PPS services provided to Medicare beneficiaries.

### Provider Action Needed



#### STOP – Impact to You

This article is based on Change Request (CR) 5273, which provides details about the changes that will be required as part of the annual IRF PPS update for Fiscal Year (FY) 2007, and it highlights several of the major refinements from the FY 2007 IRF PPS Final Rule.

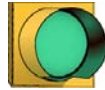


#### CAUTION – What You Need to Know

Updated rates are effective for claims with discharges that fall on or after October 1, 2006, and on or before September 30, 2007.

#### Disclaimer

This article was prepared as a service to the public and is not intended to grant rights or impose obligations. This article may contain references or links to statutes, regulations, or other policy materials. The information provided is only intended to be a general summary. It is not intended to take the place of either the written law or regulations. We encourage readers to review the specific statutes, regulations and other interpretive materials for a full and accurate statement of their contents.



### GO – What You Need to Do

See the *Background* section of this article for further details regarding this IRF annual update.

## Background

On August 7, 2001, the Centers for Medicare & Medicaid Services (CMS) published a Final Rule in the Federal Register ([http://www.access.gpo.gov/su\\_docs/fedreg/a010807c.html](http://www.access.gpo.gov/su_docs/fedreg/a010807c.html)) that established the Prospective Payment System (PPS) for Inpatient Rehabilitation Facilities (IRFs) as authorized under the Social Security Act (Section 1886(j)). 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, and annual updates to the IRF PPS rates are required by the Social Security Act (Section 1886(j)(3)(C)).

On August 18, 2006, CMS published the FY 2007 IRF PPS Final Rule in the Federal Register ([http://www.access.gpo.gov/su\\_docs/fedreg/a060818c.html](http://www.access.gpo.gov/su_docs/fedreg/a060818c.html)) which provides the prospective payment rates applicable for IRFs for FY 2007.

A new IRF PRICER software package will be released prior to October 1, 2006 that will contain the updated rates that are effective for claims with discharges that fall on or after October 1, 2006 through September 30, 2007. Your FI will install the new revised Pricer program in a timely fashion to ensure you receive accurate payments for IRF PPS claims with discharges occurring on or after October 1, 2006 through September 30, 2007.

**Pricer Updates:** For IRF PPS FY 2007, (October 1, 2006 – September 30, 2007)

Standard Federal rate	\$12,981
Fixed loss amount	\$5,534
Labor-related share	75.612%
Non-labor related share	24.388%
Urban national average CCR	0.484
Rural national average CCR	0.600

### *Hold Harmless*

There were 32 IRFs identified in FY 2006 that received a hold harmless adjustment of as much as 12.76 %. For FY 2007, these same 32 providers (See IRF PPS Final Rule Data Files at

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[http://www.cms.hhs.gov/InpatientRehabFacPPS/07\\_DataFiles.asp](http://www.cms.hhs.gov/InpatientRehabFacPPS/07_DataFiles.asp)) will get a hold harmless adjustment of as much as 6.38%.

One of the 32 IRFs above (49T005) qualifies for the hold harmless policy, but would experience higher payments with the second year of the hold harmless adjustment of 6.38% than they would have experienced had they been paid under their rural designation in FY 2006, including the FY 2005 rural adjustment of 19.14 percent. Thus, this facility will receive a special wage index value to reduce the amount of its hold harmless adjustment. In other words, CMS is capping this facility's payments under the hold harmless policy at what this facility would have been paid under their rural designation in FY 2006, including the FY 2005 rural adjustment of 19.14 percent. CMS will provide FIs with the applicable special wage index value for this IRF (and for any other IRFs CMS may later discover would receive higher payments as a result of the hold harmless policy). This special wage index value will be used instead of the FY 2007 CBSA wage index value for determining FY 2007 IRF PPS payments for this IRF.

## Implementation

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The implementation date for CR5273 is October 2, 2006.

## Additional Information

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For complete details, please see the official instruction issued to your intermediary regarding this change. That instruction may be viewed at <http://www.cms.hhs.gov/Transmittals/downloads/R1053CP.pdf> on the CMS website.

If you have any questions, please contact your intermediary at their toll-free number, which may be found on the CMS website at <http://www.cms.hhs.gov/MLNProducts/downloads/CallCenterTollNumDirectory.zip>.

### Flu Shot Reminder

September is the perfect time to start talking with your patients about getting the flu shot. Medicare provides coverage for the flu vaccine and its administration. Please encourage your Medicare patients to take advantage of this vital benefit. And don't forget – health care professionals and their staff benefit from the flu vaccine also. **Protect Yourself. Protect Your Patients. Get Your Flu Shot.**

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