CMS Manual System	**Department of Health & Human Services (DHHS)**
Pub 100-04 Medicare Claims Processing	**Centers for Medicare & Medicaid Services (CMS)**
Transmittal 1137	**Date: DECEMBER 22, 2006**
	Change Request 5325

Subject: Inpatient Rehabilitation Facility (IRF) Teaching Status Adjustment

I. SUMMARY OF CHANGES: For other types of Medicare providers (including long-term care hospitals) that have been training residents and are currently converting to Inpatient Rehabilitation Facilities (IRFs), the fiscal intermediary will determine an full time equivalent (FTE) resident cap for purposes of the IRF teaching status adjustment, applicable beginning with the new IRF's payments under the IRF Prospective Payment System (PPS), based on the FTE count of residents during the predecessor facility's most recent cost reporting period ending on or before November 15, 2004.

New / Revised Material
Effective Date: October 1, 2005
Implementation Date: January 22, 2007

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	3/140.2.4.5.1/FTE Resident Cap

III. FUNDING:
No additional funding will be provided by CMS; Contractor activities are to be carried out within their FY 2007 operating budgets.

IV. ATTACHMENTS:

Business Requirements

Manual Instruction

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

Attachment - Business Requirements

Pub. 100-04	Transmittal: 1137	Date: December 22, 2006	Change Request 5325

SUBJECT: Inpatient Rehabilitation Facility (IRF) Teaching Status Adjustment

I. GENERAL INFORMATION

A. Background: Beginning October 1, 2005, CMS implemented an adjustment for teaching facilities that operate an Inpatient Rehabilitation Facility (IRF) to compensate them for the higher costs they incur in providing care to beneficiaries. In FY 2006, we modified the teaching adjustment based on the ratio of residents and interns to the average daily census, raised to some power as described in the final rule.

B. Policy: For other types of Medicare providers (including long-term care hospitals) that have been training residents and are currently converting to IRFs, the fiscal intermediary will determine a full time equivalent (FTE) resident cap for purposes of the IRF teaching status adjustment, applicable beginning with the new IRF's payments under the IRF Prospective Payment System (PPS), based on the FTE count of residents during the predecessor facility's most recent cost reporting period ending on or before November 15, 2004. Similar to our existing policy for IRFs, if the predecessor facility did not begin training residents until after November 15, 2004, the facility would initially receive an FTE cap of "0." This cap may be subsequently adjusted in accordance with the policies that are being applied in the IPF PPS (as described in §412.424(d)(1)(iii)(B)(2)), which in turn are made in accordance with the policies described in 42 CFR 413.79(e).

Once established, the FTE resident cap for the teaching status adjustment for the new IRF will be subject to the same rules and adjustments as any IRF's FTE resident cap. CMS will monitor this policy closely to ensure that it is not being inappropriately manipulated.

II. BUSINESS REQUIREMENTS

"Shall" denotes a mandatory requirement
"Should" denotes an optional requirement

Requirement Number	Requirements	Responsibility ("X" indicates the columns that apply)								
		FI	RHHI	Carrier	DMERC	Shared System Maintainers				Other
						FISS	MCS	VMS	CWF	
5325.1	The FI shall identify all Medicare providers that are converting to IRFs for cost reporting periods beginning on and after October 1, 2006.	X								

Requirement Number	Requirements	Responsibility ("X" indicates the columns that apply)								
		FI	RHHI	Carrier	DMERC	Shared System Maintainers				Other
						FISS	MCS	VMS	CWF	
5325.1.1	The FI shall determine an FTE resident cap for purposes of the IRF teaching adjustment based upon the FTE count of residents during the predecessor facility's most recent cost reporting period ending on or before November 15, 2004.	X								
5325.1.1.1	The FI shall assign an FTE cap of zero if the predecessor facility did not begin training residents until after November 15, 2004.	X								
5325.2	The FI shall make adjustments to the cap in accordance with the polices that are being applied in the IPF PPS (as described in §412.424(d)(1)(iii)(B)(2)), which in turn are made in accordance with the policies described in 42 CFR 413.79(e).	X								

III. PROVIDER EDUCATION

Requirement Number	Requirements	Responsibility ("X" indicates the columns that apply)								
		FI	RHHI	Carrier	DMERC	Shared System Maintainers				Other
						FISS	MCS	VMS	CWF	
5325.3	A provider education article related to this instruction will be available at www.cms.hhs.gov/MLNMattersArticles shortly after the CR is released. You will receive notification of the article release via the established "MLN Matters" listserv. Contractors shall post this article, or a direct link to this article, on their Web site and include information about it in a listserv message within 1 week of the availability of the provider	X								

Requirement Number	Requirements	Responsibility ("X" indicates the columns that apply)								
		FI	RHHI	Carrier	DMERC	Shared System Maintainers				Other
						FISS	MCS	VMS	CWF	
	education article. In addition, the provider education article shall be included in your next regularly scheduled bulletin and incorporated into any educational events on this topic. Contractors are free to supplement MLN Matters articles with localized information that would benefit their provider community in billing and administering the Medicare program correctly.									

IV. SUPPORTING INFORMATION AND POSSIBLE DESIGN CONSIDERATIONS

A. Other Instructions: N/A

X-Ref Requirement #	Instructions

B. Design Considerations: N/A

X-Ref Requirement #	Recommendation for Medicare System Requirements

C. Interfaces: N/A

D. Contractor Financial Reporting /Workload Impact: N/A

E. Dependencies: N/A

F. Testing Considerations: N/A

V. SCHEDULE, CONTACTS, AND FUNDING

Effective Date*: October 1, 2005 **Implementation Date:** January 22, 2007 **Pre-Implementation Contact(s):** Julie Stankivic (410) 786-5725 **Post-Implementation Contact(s):** Pete Diaz (410) 786-1235	**No additional funding will be provided by CMS; contractor activities are to be carried out within their FY 2007 operating budgets.**

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

140.2.4.5.1 - FTE Resident Cap

(Rev.1137, Issued: 12-22-06, Effective: 10-01-05, Implementation: 01-22-07)

There is a cap on the number of FTE residents that may be counted for purposes of calculating the teaching adjustment, not the number of residents teaching institutions can hire or train. The FTE resident cap is identical in freestanding teaching rehabilitation hospitals and in distinct part rehabilitation units with GME programs. The cap is the number of FTE residents that trained in the IRF during a "base year."

An IRF's FTE resident cap is determined based on the final settlement of the IRF's most recent cost reporting period ending on or before November 15, 2004. IRFs that first began training residents after November 15, 2004 will initially receive an FTE cap of zero. The FTE caps for new IRFs (as well as existing IRFs) that start training residents in a new GME program (as defined in §413.79(1)) may be subsequently adjusted in accordance with the policies that are being applied in the IPF PPS (as described in §412.424(d)(1)(iii)(B)(2)), which in turn are made in accordance with the policies described in 42 CFR 413.79(e).

For other types of Medicare providers (including long-term care hospitals) that have been training residents and are currently converting to IRFs, the fiscal intermediary will determine an FTE resident cap for purposes of the IRF teaching status adjustment, applicable beginning with the new IRF's payments under the IRF PPS based on the FTE count of residents during the predecessor facility's most recent cost reporting period ending on or before November 15, 2004. If the predecessor facility did not begin training residents until after November 15, 2004, the facility would initially receive an FTE cap of zero. The FTE caps for new IRFs (as well as existing IRFs) that start training residents in a new GME program (as defined in §413.79(1)), may be subsequently adjusted in accordance with the policies that are being applied in the IPF PPS (as described in §412.424(d)(1)(iii)(B)(2)), which in turn are made in accordance with the policies described in 42 CFR 413.79(e).

Once established, the FTE resident cap for the teaching status adjustment for the new IRF will be subject to the same rules and adjustments as any IRF's FTE resident cap. We note that we will monitor this policy closely to ensure that it is not being inappropriately manipulated.

IRFs are not permitted to aggregate the FTE resident caps used to compute the IRF PPS teaching status adjustment through affiliation agreements. Residents with less than full-time status and residents floating through the rehabilitation hospital or unit for less than a full year are counted in proportion to the time they spend in their assignment with the IRF (for example, a resident on a full-time, 3-month rotation to the IRF would be counted as 0.25 FTEs for purposes of counting residents to calculate the ratio). No FTE resident time counted for purposes of the IPPS IME adjustment is allowed to be counted for purposes of the teaching status adjustment for the IRF PPS.

The denominator used to calculate the teaching status adjustment under the IRF PPS is the IRF's average daily census (ADC) from the current cost reporting period. If a

rehabilitation hospital or unit has more FTE residents in a given year than in the base year (the base year being used to establish the cap) payments are based on the lower number (the cap amount) in that year. If a rehabilitation hospital or unit were to have fewer FTE residents in a given year than in the base year (that is, fewer residents than its FTE resident cap) an adjustment in payments in that year is based on the lower number (the actual number of FTE residents the facility hires and trains).