

Issue Brief

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CMS Issues Proposed Inpatient Rehabilitation Facility FY 2020 PPS Update

The Centers for Medicare & Medicaid Services released a proposed rule that would update the payment rates and quality reporting items for inpatient rehabilitation facilities for federal fiscal year 2020.

The proposed rule includes the classification and weighting factors for the IRF prospective payment system's case-mix groups, and a description of the methodologies and data used in computing the prospective payment rates for FY 2020. This proposal also would rebase and revise the IRF market basket to reflect a 2016 base year, rather than the current 2012 base year.

Additionally, the proposed rule would replace the previously finalized un-weighted motor score with a weighted motor score to assign patients to CMGs, and remove one item from the score beginning in FY 2020, and to revise the CMGs and update the CMG relative weights and average length of stay values beginning with FY 2020, based on analysis of two years of data (FY 2017 and FY 2018).

CMS also is proposing to update the IRF wage index to use the concurrent IPPS wage index for the IRF PPS beginning

with FY 2020. Currently, CMS uses wage index data from the prior year.

The 274-page document is scheduled for publication in the *Federal Register* on Wednesday, April 24. A copy currently is available at: <https://s3.amazonaws.com/public-inspection.federalregister.gov/2019-07885.pdf>. This link will change upon publication. A 60-day comment period ending Wednesday, June 19, is provided.

COMMENT

CMS says that the overall economic impact of this proposed rule results in an estimated \$195 million increase in FY 2020 IRF PPS payments.

The total addition in costs in FY 2020 for IRFs, as a result of the proposed quality reporting requirements, is estimated to be \$8.1 million.

FY 2020 MARKET BASKET UPDATE AND PRODUCTIVITY ADJUSTMENT

CMS is proposing a market basket increase factor for FY 2020 of 3.0 percent. This amount is reduced further by mandates of the **Affordable Care Act**; that is, reductions for productivity estimated at -0.5 percent. Therefore, the proposed increase is **2.5 percent**.

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continued

REBASING AND REVISING THE IRF MARKET BASKET

CMS is proposing to rebase and revise the IRF market basket to reflect a 2016 base year. The proposed 2016-based IRF market basket update for FY 2020 currently is forecasted to be 3.0 percent. The market basket using the 2012 base year results is the same update factor. However, as noted below, the labor-related share changes significantly.

Proposed FY 2020 IRF Labor-Related Share and FY 2019 IRF Labor-Related Share		
	FY 2020 Proposed Labor-Related Share ¹	FY 2019 Final Labor-Related Share ²
Wages and Salaries	48.1	47.7
Employee Benefits	11.4	11.1
Professional Fees: Labor-related ³	5.0	3.4
Administrative and Facilities Support Services	0.8	0.8
Installation, Maintenance and Repair	1.6	1.9
All Other: Labor-related Services	1.8	1.8
Subtotal	68.7	66.7
Labor-related portion of capital (46%)	3.9	3.8
Total Labor-Related Share	72.6	70.5

1 Based on the proposed 2016-based IRF market basket, IHS Global Insight, Inc. 1st quarter 2019 forecast.

2 Based on the 2012-based IRF market basket as published in the Federal Register (83 FR 38526).

3 Includes all contract advertising and marketing costs, and a portion of accounting, architectural, engineering, legal, management consulting and home office contract labor costs.

WAGE ADJUSTMENT

For FY 2020, CMS proposes to continue using U.S. Office of Management and Budget delineations to calculate the area wage indexes.

CMS is proposing to change the IRF wage index methodology to align with other post-acute care settings. Specifically, CMS is proposing to change from its established policy of using the prefloor, prereclassified IPPS wage index from the prior fiscal year as the basis for the IRF wage index to using, instead, the prefloor, prereclassified IPPS wage index from the current fiscal year.

The proposed FY 2020 wage index tables based on the FY 2020 prereclassified, pre-floor FY 2020 IPPS wage index are available on the CMS website at <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientRehabFacPPS/IRF-Rules-and-Related-Files.html>. Table A is for urban areas, and Table B is for rural areas.

PROPOSED UPDATE TO PAYMENTS FOR HIGH-COST OUTLIERS UNDER THE IRF PPS FOR FY 2020

The outlier threshold is calculated by simulating aggregate payments and using an iterative process to determine a threshold that results in outlier payments being equal to 3 percent of total payments under the simulation.

CMS proposes to update the outlier threshold amount from \$9,402 for FY 2019 to **\$9,935** for FY 2020 to maintain estimated outlier payments at approximately 3.0 percent of total estimated aggregate IRF payments for FY 2020.

The increase is based on CMS' calculation that FY 2019 outliers will be 3.2 percent.

Calculations to Determine the FY 2019 Standard Payment Conversion Factor	
Explanation for Adjustment	Calculations
Standard Payment Conversion Factor for FY 2019	\$16,021
Market Basket Increase Factor for FY 2020 (3.0 percent), reduced by 0.5 percentage point for the productivity adjustment as required by section 1886(j)(3)(C)(ii)(I) of the act	x 1.025
Budget Neutrality Factor for the Wage Index and Labor-Related Share	x 1.0076
Budget Neutrality Factor for the Revisions to the CMGs and CMG Relative Weights	x 1.0016
Proposed FY 2020 Standard Payment Conversion Factor	= \$16,573

PROPOSED UPDATES TO THE IRF QUALITY REPORTING PROGRAM

The IRF Quality Reporting Program currently has 15 adopted measures.

Beginning with the FY 2022 IRF QRP, CMS is proposing to adopt two process measures: (1) Transfer of Health Information to the Provider–Post-Acute Care; and (2) Transfer of Health Information to the Patient–Post-Acute Care.

CMS is proposing to update the specifications for the Discharge to Community–Post Acute Care IRF QRP measure to exclude baseline nursing facility residents from the measure.

*Analysis provided for MHA
by Larry Goldberg,
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In addition, CMS is proposing to adopt a number of standardized patient assessment data elements (SPADEs). These SPADEs will assess cognitive function and mental status, special services, treatments and interventions, medical conditions and comorbidities, impairments, and social determinants of health (race and ethnicity, preferred language and interpreter services, health literacy, transportation, or social isolation).

COMMENT

Quality items and reporting requirements are complex and are becoming even more complex. Those involved in the subject need to carefully review and analyze the material in this and all Medicare payment rules. To do otherwise could result in decreased payments.



This is an abbreviated analysis. View the full analysis [here](#).