

PUBLICATION

Overview of the FY 2015 IRF Final Rule [Ober|Kaler]

August 21, 2014

On August 6th, the Centers for Medicare and Medicaid (CMS) published an [Inpatient Rehabilitation Facility \(IRF\) final rule in the Federal Register](#) outlining (1) new Medicare payment policies and rates; and (2) guidance with respect to the Quality Reporting Program (QRP). Below, we provide a summary of the final rule and outline IRF payment policy implications.

Payment Update

Relative to payments in FY 2014, aggregate payments to IRFs will increase by an estimated \$180 million, or 2.4 percent, in FY 2015. Current facility-level adjustment factors (i.e., payment adjustments to account for facility-level characteristics like low-income percentage, teaching status, and location in a rural area) will remain frozen for FY 2015.

ICD-10-CM Conversion

CMS finalized the conversion of ICD-9-CM to ICD-10-CM codes for the IRF prospective payment system (PPS). However, such changes will not be made effective until ICD-10-CM is the required medical data code set for use on Medicare claims and IRF- Patient Assessment Instrument (PAI) submissions.

Presumptive Compliance Methodology Update

To ensure IRF Medicare payment rates are appropriately allocated, CMS requires all IRFs to serve an inpatient population for whom at least 60 percent meet certain qualifying medical conditions (often referred to as the “60 percent rule”). In this final rule, CMS adjusts the list of ICD-9-CM diagnosis codes that impact whether an IRF meets the 60 percent rule. The changes will be effective during compliance review periods beginning on or after October 1, 2015.

IRF QRP

New Patient Assessment Instrument Requirements

Effective October 1, 2015, IRFs must record on the IRF- PAI how much and what type of therapy (i.e., individual, group, concurrent, and co-treatment) its patients receive in physical therapy, occupational therapy, and speech-language pathology. The requirements are similar to that what is currently reported on the Minimum Data Set in the skilled nursing facility setting.

New NHSN Requirements

For admissions and discharges occurring on or after January 1, 2015, IRFs will now also need to report the following additional quality measures via the Center for Disease Control and Prevention's (CDC) National Healthcare Safety Network (NHSN): (1) NHSN Facility-Wide Inpatient Hospital-Onset Methicillin-Resistant *Staphylococcus aureus* (MRSA) Bacteremia Outcome Measure and (2) NHSN Facility-Wide Inpatient Hospital-Onset *Clostridium difficile* Infection (CDI) Outcome Measure (NQF #1717).

Ober|Kaler's Comments

While the payment updates warrant special attention by IRFs, it is also imperative that IRFs remain cognizant of changes to the IRF QRP. Failure to adhere to the new IRF QRP requirements may result in a two percent Medicare payment reduction – a reduction that would nearly wipe out the IRF FY 2015 Medicare payment increase and inevitably impose financial hardship on IRFs.