

TO: Inpatient Rehabilitation Facility's

FROM: CareFirst of Maryland, Inc.

DATE: August 5, 2004

SUBJECT: Inpatient Rehabilitation Facility (IRF) Annual Update: Prospective Payment System (PPS) Pricer Changes for FY 2005

I. GENERAL INFORMATION

This attachment is to inform you of the changes that will be required as part of the annual IRF PPS update for FY 2005.

A. Background: On August 7, 2001, we published in the **Federal Register**, a final rule that established the PPS for IRFs, as authorized under §1886(j) of the Social Security Act (the Act). In that final rule, we 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. Annual updates to the IRF PPS rates are required by §1886(j)(3)(C) of the Act. Regulations at 42 CFR §412.624(e)(4) describe the criteria and procedures for determining whether an inpatient rehabilitation facility subject to the inpatient rehabilitation facility prospective payment system (IRF PPS) qualifies for an additional payment for extraordinarily costly cases, known as high-cost outliers. A final rule, published on August 1, 2003 (68 FR 45674) revised the regulations at §412.624(e)(4) for facilities subject to the IRF PPS. This Change Request (CR) provides instructions for implementing those revisions to the outlier policy for the IRF PPS.

B. Policy: On August 1, 2003, we published a final rule in the **Federal Register** (68 FR 45674) that sets forth the prospective payment rates applicable for IRFs for FY 2004. On July 30, 2004, we published a notice that sets forth the prospective payment rates applicable to IRFs for FY2005. A new IRF PRICER software package will be released prior to October 1, 2004 that will contain the updated rates that are effective for claims with discharges that fall within October 1, 2004 through September 30, 2005. The new revised Pricer program must be installed timely to ensure accurate payments for the IRF PPS claims with discharges on or after October 1, 2004 through September 30, 2005. Under the existing IRF PPS outlier methodology, the CCR from an IRF's latest settled cost report is used in determining whether a case qualifies for payment as an outlier and the amount of any such payment. Based on the final rule published in the **Federal Register** on August 1, 2003, this CR provides instructions for applying CCRs for IRFs, including: the use of an alternative CCR when directed by CMS or at the request of the facility and the use of a CCR based on the tentative settlement of the cost report for discharges on or after October 1, 2003; use of the national averages; the criteria for identifying hospitals to be subject to reconciliation; and notification to hospitals about those updates.

The *effective/implementation* date of this bulletin is October 4, 2004.

THIS BULLETIN SHOULD BE SHARED WITH ALL HEALTH CARE PRACTITIONERS AND MANAGERIAL MEMBERS OF THE PROVIDER/SUPPLIER STAFF. ALL BULLETINS ISSUED AFTER OCTOBER 1, 1999 ARE AVAILABLE AT NO COST FROM OUR WEB SITE AT www.marylandmedicare.com