



April 24, 2008

MEMORANDUM

TO: Chief Executive Officers
Chief Financial Officers
Government Relations Personnel
Members, Post Acute Care Constituency Section; Rehabilitation Section

FROM: Tom Jendro-Senior Director, Finance

SUBJECT: **Technical Bulletin #312: Centers for Medicare and Medicaid Services (CMS) Medicare Proposed Payment Rules for FY2009: Inpatient Rehabilitation Facility-Prospective Payment Services (IRF-PPS)**

On April 21, the Centers for Medicare and Medicaid Services put on public display its annual proposed rule for Medicare inpatient rehabilitation services payments for discharges beginning on or after October 1, 2008. This proposed rule is scheduled for publication in the Federal Register on April 25. Comments will be accepted by CMS if they are received no later than 5:00 p.m. on June 20. The Illinois Hospital Association (IHA) will be submitting its comments to CMS and if your facility is also planning to submit comments please send those to me here at IHA as well. If received within the open comment period, they can be included in the Association's formal comment letter as well.

This bulletin includes some of the major payment provisions of that rule for your reference. In addition to the "usual" payment updates, such as the market basket increase, wage index revisions, change in the outlier threshold, etc., the rule also contains a number of provisions implementing mandates established by the Medicare, Medicaid and SCHIP Expansion Act of 2007 (MMSEA). Within the next several days, IHA will be providing you with estimates of the proposed payment rule impacts on your facility. For your reference, the proposed rule can be found at: <http://www.cms.hhs.gov/InpatientRehabFacPPS/LIRFF/itemdetail.asp?itemID=CMS1209922>. Scroll down to CMS-1554-P and click on the Display Copy; the text is 124 pages long.

Following are the highlights of the proposed rule:

AS MANDATED BY THE MEDICARE, MEDICAID AND SCHIP EXPANSION ACT OF 2007:

- The rule includes a 0% market basket rate update for discharges occurring from April 1, 2008 through September 30, 2009.

- The proposed rule implements the permanent lowering of the “75% Rule” threshold to the 60% level, effective for cost reporting periods beginning on or after July 1, 2006.
- The 60% compliance threshold referenced above would be permanently expanded to include patient co-morbidities as qualifying conditions; this inclusion is effective for cost reporting periods beginning on or after July 1, 2007.

STANDARD, ANNUAL PAYMENT RATE CHANGES:

- **Market basket Update:** The FY2009 standard payment for the IRF-PPS does not a market basket percentage increase, consistent with the provisions of MMSEA. The MMSEA also required the FY2009 rate to be based on the FY2007 standardized amount.
- **Labor-related portion:** The proposed FY2009 labor portion of the standardized rate is 75.691%.
- **CMG recalibrations and other changes:** There are no changes to the current number of CMGs for FY2009. However, specific CMS weights have been revised using FY2006 claims data (versus 2003 data used previously) and cost data more specific to hospital inpatient rehabilitation units, as opposed to cost data applicable to the entire hospital.
- **Standard Rates: The proposed rule sets the standardized base rate, effective for Medicare discharges beginning on or after October 1, 2008, as \$12,999.** This rate reflects the current freeze on payments, along with a slight reduction for budget neutrality.
- **Cost Outliers:** The proposed cost outlier threshold is increased from \$7,522 in FY2008 to \$9,191 in FY2009. As a result of this change, outlier payments as a percentage of total IRF-PPS payments is expected to decrease from 3.3% to 3.0%. CMS has also proposed to revise the cost to charge ceilings used to establish the IRF’s outlier payments. For FY2009, those ceilings are 0.486 and 0.616 for urban and rural IRFs, respectively.
- **Wage Index:** The FY2009 proposed rule establishes the wage indices based on 100% of the Core-Based, Statistical Area (CBSA) data. For your information, the following are the comparative Illinois wage index and geographic adjustment factor values for FY2008 and 2009:

	<u>WAGE INDEX</u>	
	<u>prop. 09</u>	<u>final 08</u>
➤ Bloomington-Normal: (McLean)	0.9325	0.8944
➤ Champaign (Champaign, Ford, Piatt)	0.9392	0.9644
➤ Chicago (Cook, DeKalb, DuPage, Grundy, Kane, Kendall, McHenry, Will)	1.0715	1.0751

	<u>WAGE INDEX</u>	
	<u>prop. 09</u>	<u>final 08</u>
➤ Danville (Vermilion)	0.8957	0.9266
➤ Decatur (Macon)	0.8074	0.8172
➤ Kankakee (Kankakee)	1.0238	1.0083
➤ Lake County (Lake)	1.0603	1.0570
➤ Peoria (Marshall, Peoria, Stark, Tazewell, Woodford)	0.9299	0.8982
➤ Rock Island (Henry, Mercer, Rock Island)	0.8830	0.8846
➤ Rockford (Boone, Winnebago)	0.9814	0.9989
➤ Springfield (Menard, Sangamon)	0.8944	0.8890
➤ St. Louis (Bond, Calhoun, Clinton, Jersey, Macoupin, Madison, Monroe, St. Clair)	0.9024	0.9005
➤ Rural	0.8335	0.8320

IHA hopes this information is useful to you. If you have any questions or comments, contact Tom Jendro at: tjendro@ihastaff.org or (630) 276-5516.