

# Fiscal Year 2023 Inpatient Rehabilitation Facility Prospective Payment System Final Rule (CMS-1767-F)

Jul 27, 2022

On July 27, 2022, the Centers for Medicare & Medicaid Services (CMS) issued a final rule to update Medicare payment policies and rates under the Inpatient Rehabilitation Facility (IRF) Prospective Payment System (PPS) and the IRF Quality Reporting Program (QRP) for fiscal year (FY) 2023. CMS is publishing this final rule in accordance with the legal requirements to update Medicare payment policies for IRFs on an annual basis.

For FY 2023, CMS is finalizing updates to the IRF PPS payment rates based on the IRF market basket update less a productivity adjustment. CMS is also finalizing a permanent cap on year-to-year wage index decreases. In addition, CMS is codifying our IRF teaching status adjustment policy in regulation and clarifying certain teaching status adjustment policies.

CMS is also finalizing a policy to expand the IRF quality data reporting requirements under the IRF Quality Reporting Program (QRP) and summarizes comments from stakeholders on inclusion of a new Centers for Disease Control and Prevention (CDC) digital outcome quality measure as well as the CMS health equity strategy for the IRF QRP.

This fact sheet discusses the provisions of the rule. The final rule [CMS-1767-F] can be downloaded from the *Federal Register* at: <https://www.federalregister.gov/public-inspection/current>

## Updates to the FY 2023 IRF PPS Payment Policies

For FY 2023, CMS is updating the IRF PPS payment rates by 3.9% based on the IRF market basket update of 4.2% less a 0.3 percentage point productivity adjustment. In addition, the final rule contains an adjustment to the outlier threshold to maintain outlier payments at 3.0% of total payments. This adjustment will result in a 0.6 percentage point decrease in outlier payments. CMS estimates that overall IRF payments for FY 2023 will increase by 3.2% (or \$275 million) relative to payments in FY 2022.

Permanent Cap on Wage Index Decreases:

In order to mitigate instability in IRF PPS payments due to significant wage index decreases that may affect providers in any given year, we are finalizing a permanent 5% cap on annual wage index decreases to smooth year-to-year changes in providers' wage index payments.

#### IRF Teaching Status Adjustment Policy:

CMS is codifying the IRF teaching status adjustment policy in regulation and clarifying certain teaching status adjustment policies. The IRF teaching status adjustment adjusts payments to reflect the higher costs of teaching IRFs, similar to the IPPS indirect medical education (IME) adjustment.

#### **Final Rule Updates to the IRF QRP**

The IRF QRP is a pay-for-reporting program. IRFs that do not meet reporting requirements are subject to a 2.0 percentage point reduction in their Annual Increase Factor (AIF). CMS is finalizing one policy change and addressing two Requests for Information (RFIs) related to the IRF QRP.

#### Quality Data Reporting on all IRF Patients Regardless of Payer

CMS is finalizing a policy to expand the IRF quality data reporting requirements, which currently apply to all admitted IRF patients with Medicare Part A fee-for-service (FFS) and Medicare Part C, such that IRFs will begin collecting data on all IRF patients, regardless of payer. Collecting such data on all patients admitted to IRFs will provide CMS with a more complete picture of the quality of care provided by these facilities to Medicare patients. Further, this policy will help to ensure all IRF patients are receiving the same quality of care and that provider metrics reflect performance across the spectrum of IRF patients. CMS believes that the quality of care provided in IRFs would be most accurately represented using data collected via the IRF Patient Assessment Instrument (PAI) on all IRF patients, regardless of payer. CMS is finalizing that this expanded quality reporting requirement will take effect starting with the FY 2026 IRF QRP, meaning that providers will need to start collecting the IRF- PAI assessment on all patients receiving care in an IRF, regardless of payer, beginning on October 1, 2024.

In the FY 2023 IRF PPS proposed rule, CMS also sought feedback on:

- Inclusion of the National Healthcare Safety Network (NHSN) Healthcare-associated Clostridioides difficile Infection Outcome Measure in the IRF QRP.
- Overarching Principles for Measuring Equity and Healthcare Quality Disparities Across CMS Quality Programs.

While CMS is not responding to comments on these topics in the final rule, CMS will continue to take all concerns, comments, and suggestions into consideration as the agency continues work to address and develop policies on these important topics. With regard to health equity, public input is very valuable to the continuing development of

CMS' health equity quality measurement efforts and broader commitment to health equity; a key pillar of the agency's strategic vision. Thus, CMS will use this input for future development and expansion of policies to advance health equity across the IRF QRP, including by supporting IRFs in their efforts to ensure equity for all of their patients, and to identify opportunities for improvements in health outcomes.

For further information, see the IRF webpage:

<https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientRehabFacPPS>

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