

Final 2023 Rehab Rates +3.2%

Healthier Rates, No Major Policy Shifts

The Centers for Medicare and Medicaid Services (CMS) released the Final FY 2023 Inpatient Rehab Facility (IRF) regulation on July 27 ([here](#)) It is a short, 150-page rule. New polices and pay start Oct 1, the beginning of FY 2023.

- **Inpatient Rehab Facilities (IRFs) will receive a +3.2% update (versus 2.0% proposed) due to a much higher revised market (MB) basket.** For FY 2023, CMS is updating the IRF PPS payment rates by 3.9% based on the IRF market basket (MB) update of 4.2% less a 0.3% point productivity adjustment. CMS estimates that overall IRF payments for FY 2023 would increase by 3.2% (or \$275 M) relative to payments in FY 2022. The proposed increase was +2.0% (or \$170 M). This was based on an increase of 2.8% on the IRF MB update of 3.2% less a 0.4% point productivity adjustment.
- **For-profit IRFs would see +3.7% updates, an even higher increase than the +2.5% proposed.** Urban and Rural for-profits would both see an update of +3.7% (vs. +2.6% proposed).
- **CMS plans to analyze home health claims data to determine the appropriateness of including home health in the IRF transfer policy.** In the proposed rule, CMS brought up a recent Office of Inspector General (OIG) report ([here](#)) that evaluated early discharges from IRFs to home health and recommended that CMS expand the IRF transfer payment policy to apply to early discharges to home health. It was determined that if CMS had expanded its IRF transfer payment policy to include early discharges to home health it could have saved ~ \$993 M over the 2-year period. CMS plans to continue to analyze home health claims data to determine the appropriateness of including home health in the IRF transfer policy. They will use new data for future analysis of potential rulemaking.
- **Quality data to be collected, regardless of payer, but delayed to 2023.** CMS also finalized its proposal to require IRFs to collect quality data on all patients, regardless of payer, but delayed the implementation date until October 2023. The agency estimates that the additional reporting burden will cost IRFs over \$31 M per year (an average of nearly \$29,000 per IRF). CMS did *not* propose any other changes to the IRF Quality Reporting Program.
- **Wage index stability.** In order to mitigate instability in IRF payments due to significant wage index decreases that may affect providers in any given year, CMS is implementing a permanent 5% cap on annual wage index decreases to smooth year-to-year changes in providers' wage index payments.
- **NEXT UP / OUR TAKE:** This was a more positive rule than proposed, given updated MA estimates. New rates start Oct 1, 2022, or the start of the FY23.