

Proposed 2023 Rehab Rates +2.5%

Healthy Rates, No Major Policy Shifts

The Centers for Medicare and Medicaid Services (CMS) released the proposed FY 2023 inpatient rehab facility (IRF) regulation this evening ([here](#)). It is a short, 123-page rule. Comments are due May 31 and will be finalized by August 1. New policies and pay start Oct 1, the beginning of FY 2023.

- **Inpatient Rehab Facilities (IRFs) will receive a +2.0 proposed update.** For FY 2023, CMS is proposing to update the IRF PPS payment rates by 2.8% based on the IRF market basket update of 3.2% less a 0.4 percentage point productivity adjustment. CMS is proposing that if more recent data become available (for example, a more recent estimate of the MB update or productivity adjustment), it would use these data, if appropriate, to determine the FY 2023 market basket update and the productivity adjustment in the final rule. This adjustment will result in a 0.8% point decrease in outlier payments. CMS estimates that overall IRF payments for FY 2023 would increase by 2.0% (or \$170 M) relative to payments in FY 2022.
- **For profit IRFs would see +2.5% updates, positive for IRFs such as EHC.** Urban for profits would see an update of +2.6% while Rural for profits would see an increase of +2.6%.
- **CMS is soliciting comments on “early” transfers from IRF to Home Health agencies.** A recent Office of Inspector General (OIG) report ([here](#)) that evaluated early discharges from IRFs to home health recommended that CMS expand the IRF transfer payment policy to apply to early discharges to home health. To assist in balancing the needs of the patient while, at the same time, ensuring the integrity of the Medicare program, CMS seeks feedback from stakeholders about potentially including home health in the IRF transfer payment policy, as recommended by OIG..
- **Outlier policy hit rates slightly.** The proposed rule contains an adjustment to the outlier threshold to maintain outlier payments at 3.0% of total payments. This adjustment will result in a 0.8 %point decrease in outlier payments.
- **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 proposing a permanent 5% cap on annual wage index decreases to smooth year-to-year changes in providers’ wage index payments.
- **As a reminder, MedPAC has not been kind towards IRF and Home Health providers.** MedPAC unanimously approved its recommendation that Congress should cut inpatient rehabilitation facilities (IRF) by 5% in 2023.