



Advising the Congress on Medicare issues

Assessing payment adequacy: Inpatient rehabilitation facilities

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Inpatient rehabilitation facilities

- Provide intensive rehabilitation (physical, occupational, speech therapy)
- Medicare FFS is a significant payer
 - 60% of IRF patients
 - \$5.8 billion in expenditures (2008)
- IRF PPS established in 2002 (BBA)

IRF criteria

- Patients generally must meet 3-hour rule
- IRFs must:
 - Meet acute hospital COPs
 - Meet other conditions
 - Medical director must provide care full-time
 - Preadmission screening
 - Interdisciplinary team approach
 - Nurses must specialize in rehabilitation
 - Compliance threshold (60 percent rule)

Compliance threshold

- Originally, “75 percent rule”
- CMS reinstated in 2004
- Phase-in of renewed enforcement:
 - 50% July 2004 - June 2005
 - 60% July 2005 - June 2007
 - 65% July 2007 - June 2008
 - 75% July 2008 - onward
- Medicare, Medicaid and SCHIP Extension Act (MMSEA) of 2007 permanently capped the threshold at 60%

Assessing adequacy of IRF payments

- Access to care
 - Supply of facilities
 - Occupancy rates
 - Volume of services
- Quality of care
- Access to capital
- Payments and costs

Supply of IRFs stabilizes in 2008

	2002	2005	2007	2008	Annual change '02-'05	Annual change '05-'07	Annual change '07-'08
All	1,181	1,235	1,202	1,202	+1.5 %	-1.3 %	+0.0 %
Urban	1,002	1,025	998	1,000	+0.8	-1.3	+0.2
Rural	179	210	204	202	+5.5	-1.4	-1.0
Freestanding	214	217	219	221	+0.5	+0.5	+0.9
Hospital-based	967	1,018	983	981	+1.7	-1.7	-0.2
Nonprofit	751	768	740	738	+0.7	-1.8	-0.3
For-profit	274	305	288	291	+3.6	-2.8	+1.0

Note: Figures preliminary and subject to change

Source: MedPAC analysis of 2009 Provider of Services (POS) data from CMS

Occupancy rate edges up in '08

Occupancy rates for IRFs, 2002 - 2008

	2002	2004	2007	2008	% point change '02-'07	% point change '07-'08
All	68.7	67.5	61.3	62.3	-7.4	+1.0
Freestanding	74.3	71.9	64.6	66.2	-9.7	+1.6
Hospital-based	65.5	65.3	59.5	60.0	-6.0	+0.5

Note: Figures preliminary and subject to change
Source: MedPAC analysis of Medicare hospital cost reports from CMS

Volume decline tapers off

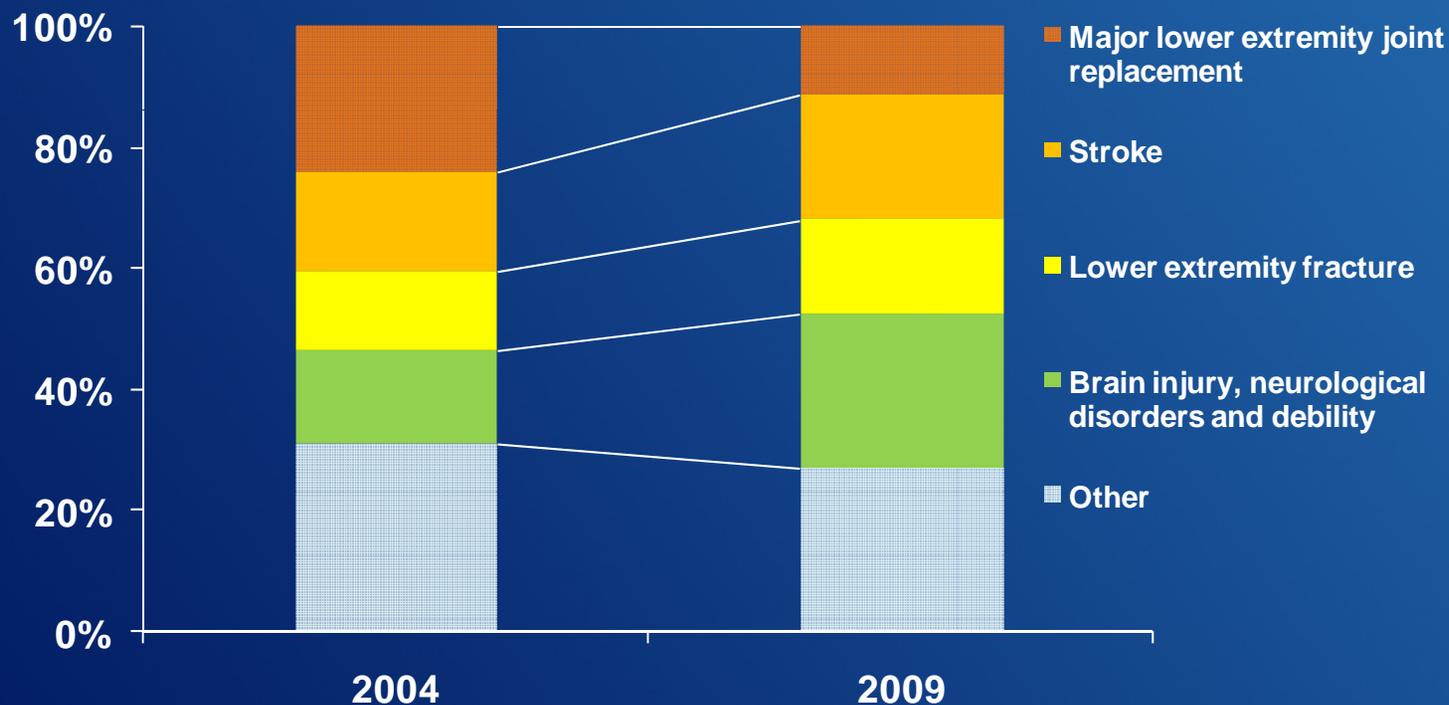
	2002	2004	2007	2008	Annual change '04-'07	Annual change '07-'08
FFS Spending (\$ billions)	5.65	6.43	5.95	5.84	-2.6 %	-1.8 %
IRF FFS patients per 10,000 FFS beneficiaries	115.2	124.9	96.2	95.6	-8.3	-0.6
Payment per case	11,152	13,275	16,143	16,649	+6.7	+3.1

Note: Figures preliminary and subject to change

Source: CMS Office of the Actuary, MedPAC analysis of Medicare MEDPAR from CMS

IRF patient mix has changed

Percent of Medicare IRF cases



Note: Figures preliminary and subject to change
Source: MedPAC analysis of IRF-PAI data from CMS, 2004 - 2009

Hip and knee replacement cases shift to other PAC settings

Discharge destinations of hip and knee replacement cases

	2004	2006	2008	% point change '04-'08
IRF	28%	20%	14%	- 14
SNF	33	35	36	+ 3
Home Health	21	27	30	+ 9
Other	18	18	19	+ 1

Note: Figures preliminary and subject to change

Source: MedPAC analysis of hospital MedPAR data from CMS, 2004 - 2008

Functional gain improves

	2004	2006	2008	2009*	% point change '04-'09
All IRF patients					
FIM at admission	68.0	63.6	61.2	60.0	- 8.0
FIM at discharge	90.4	87.1	85.5	84.8	- 5.6
FIM gain	22.4	23.5	24.2	24.8	+ 2.4
IRF patients discharged home					
FIM at admission	71.9	68.0	65.7	64.6	- 7.3
FIM at discharge	97.1	94.9	93.8	93.3	- 3.8
FIM gain	25.3	26.9	28.1	28.7	+ 3.4

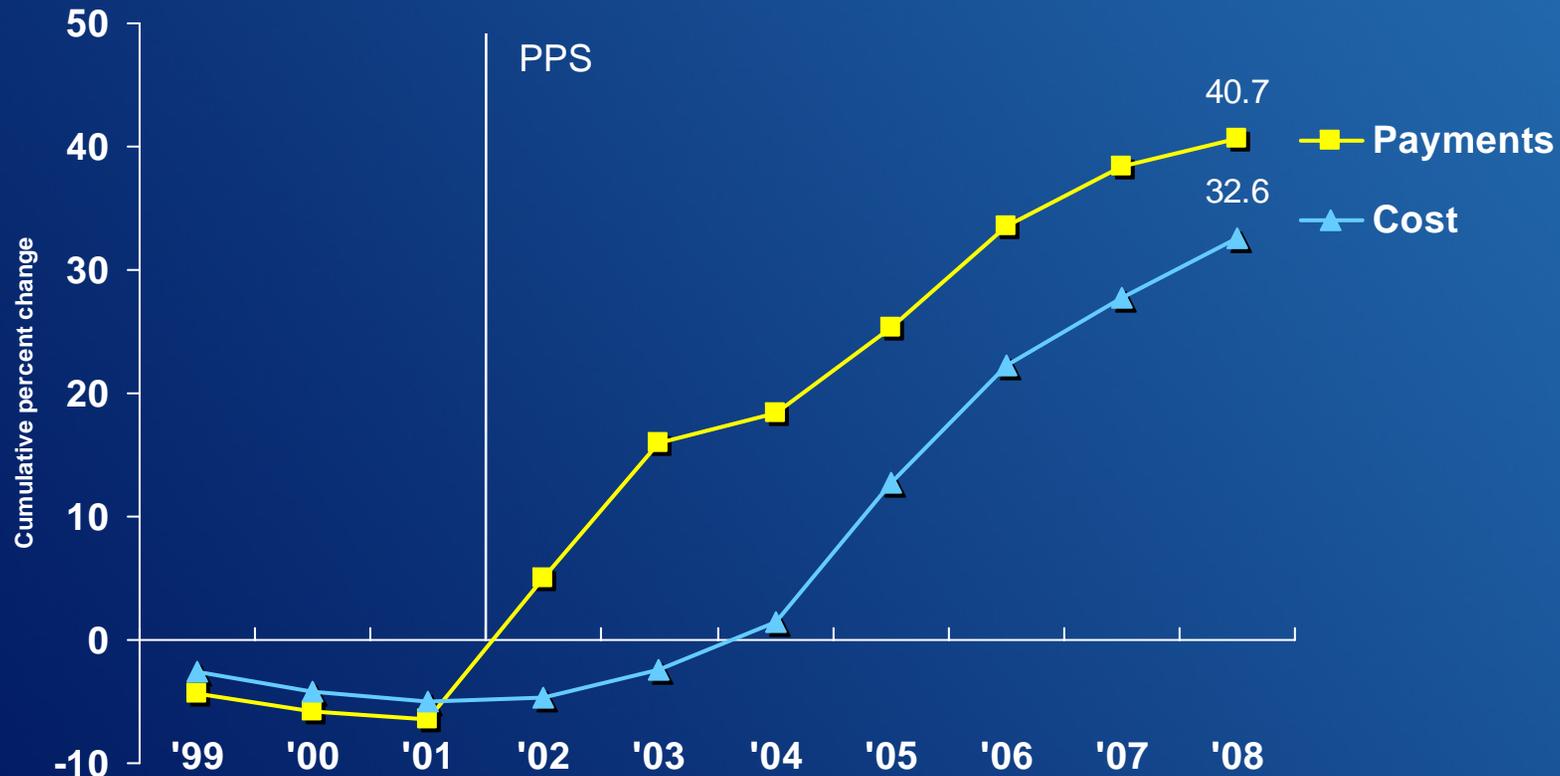
Note: *2009 is limited to data from January to September 2009. Figures preliminary and subject to change
 Source: MedPAC analysis of IRF-PAI data from CMS, 2004 - 2009

Access to capital is normalizing

- Credit markets are recovering
- Hospital-based units
 - Access capital through their parent institutions
- Chains of freestanding IRFs
 - Report strong financial performance in 3Q'09
 - Have plans to renovate existing facilities and expand into new markets

Payments have grown faster than costs since 2002

Cumulative changes in IRF payments and costs per case, '99-'08



Note: Figures preliminary and subject to change

Source: MedPAC analysis of Medicare hospital cost reports from CMS

Summary

- Facility supply stabilized in 2008
- Recent volume and spending declines tapered off in 2008
- Access to care appears to be adequate, but is complicated to assess
- Quality: increase in functional gain; case-mix changes prevent definitive conclusions