

Alternative approaches to lowering Medicare payments for select conditions in inpatient rehabilitation facilities

Carol Carter, Corinna Cline, Betty Fout, Jamila Torain

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Presentation roadmap

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- 3 Alternative approaches to paying for select conditions
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Motivation

Closer alignment of payments across PAC settings

- In its work on a unified payment system for PAC providers, the Commission said it would look for smaller-scale opportunities to narrow differences in Medicare's payments across settings

Medicare margins are high

- Medicare margin was 13.7% in 2022
- The Commission has recommended reductions to payment rates for many years

Some questionable admissions to IRFs

- There is evidence that some admissions are not medically necessary

Overlap in the patients treated in IRFs and SNFs

- Similar patients are treated in IRFs and SNFs

Note: PAC (post-acute care), IRF (inpatient rehabilitation facility), SNF (skilled nursing facility).

IRFs must provide primarily intensive rehabilitation

- Cases with 1 of 13 conditions that typically require intensive rehabilitation must make up 60% of all admissions (the compliance threshold)
 - We refer to these cases as “compliant” because they count toward the compliance threshold
- Cases with other conditions can make up the other 40%
 - We refer to these cases as “noncompliant” because they do not count toward the compliance threshold
- All admissions must meet coverage rules

Note: IRF (inpatient rehabilitation facility). To categorize compliant and noncompliant cases for this study, we applied “presumptive” compliance criteria, based on IRF assessment data. For more information on CMS’s methodology for assessing presumptive compliance, please refer to <https://www.cms.gov/files/document/specifications-determining-irf-60-rule-compliance.pdf>.

Levels of service differ in IRFs and SNFs

IRFs

- Licensed as hospitals
- Conduct a preadmission screening of every potential admission
- Provide
 - Intensive rehab
 - Close medical supervision
- Medicare coverage rules:
 - Beneficiary is expected to tolerate, participate in, and benefit from intensive rehabilitation
 - Beneficiary requires supervision by a rehabilitation physician

SNFs

- Licensed as nursing homes
- No daily therapy requirement
- Physician must supervise care and see a patient every 30 days for the first 90 days, less frequently thereafter
- Medicare coverage rules:
 - Beneficiary must require a daily skilled service ordered by a physician
 - Patient had a prior 3-day hospital stay (not required for MA enrollees)

Note: IRF (inpatient rehabilitation facility), SNF (skilled nursing facility), MA (Medicare Advantage).

Identifying cases that do not need intensive rehabilitation is difficult

Placement decisions reflect many factors

- Decisions may be based on nonclinical factors (e.g., patient preference, proximity to family)
- Differences in clinical judgment

Not all admissions to IRFs are medically necessary

- OIG and CMS found that many claims did not meet medical necessity requirements

List of compliant conditions is imperfect

- Some patients with compliant conditions may not require the intensity of an IRF
- Some patients with noncompliant conditions do require IRF intensity

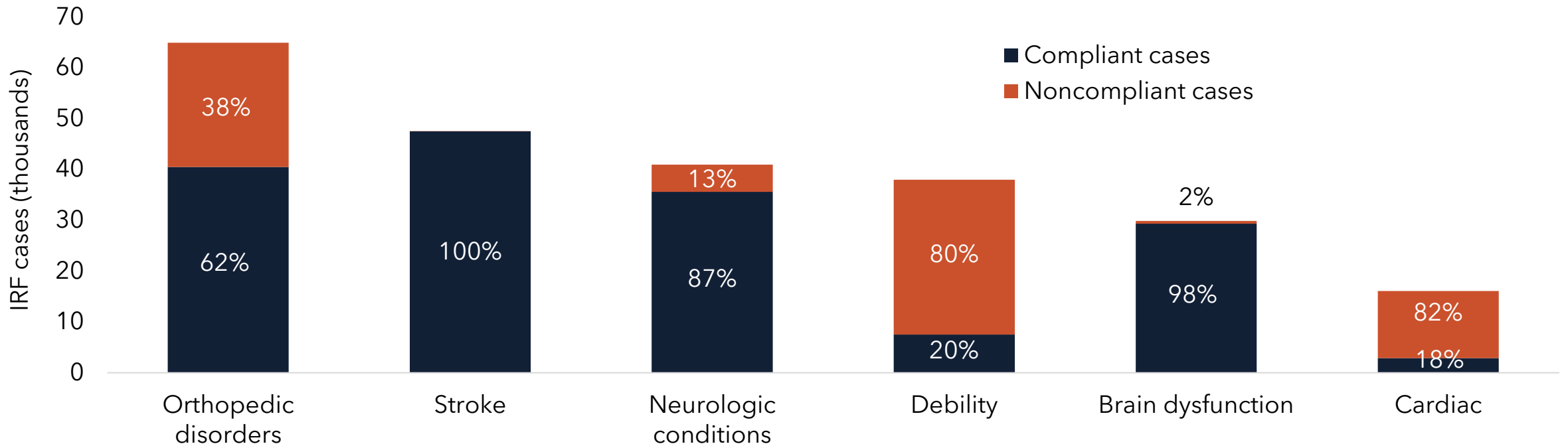
Note:

IRF (inpatient rehabilitation facility), OIG (Office of Inspector General). "Compliant conditions" refers to the 13 IRF conditions that count toward meeting the 60% compliance threshold; "noncompliant cases" do not count toward meeting the compliance threshold. For more information, please refer to <https://www.cms.gov/files/document/specifications-determining-irf-60-rule-compliance.pdf>.



Comparison of patients with select conditions treated in IRFs and SNFs

Shares of IRF noncompliant cases varied by impairment group, 2021



Note: IRF (inpatient rehabilitation facility). We define compliant cases as those that count toward meeting the 60% compliance threshold and noncompliant cases as those that do not count toward the meeting compliance threshold. Conditions are grouped by the leading two values of impairment group categories (IGCs). Low-volume IGCs were excluded from the figure. There were 82,980 noncompliant IRF cases and about 186,820 compliant IRF cases in our study population.

Source: Analysis of 2021 fee-for-service Medicare IRF claims and assessment data from CMS.

Comparing beneficiaries with noncompliant conditions treated in IRFs and SNFs

- Most beneficiaries with noncompliant conditions received care in SNFs, even in markets with IRFs
- Compared to SNF users, IRF users:
 - Were younger
 - Were less likely to be disabled
 - Had lower median risk scores
 - Had similar median motor and cognitive function scores, but SNF patients varied more in their abilities
 - Were less likely to have comorbidities and impairments
- Although IRF patients appeared to be healthier, they may not be lower cost because they are required to receive more services

Note: IRF (inpatient rehabilitation facility), SNF (skilled nursing facility). Markets were defined using hospital service areas from the Dartmouth Atlas. We define noncompliant cases as those that do not count toward meeting the 60% compliance threshold.

Source: Analysis of 2021 fee-for-service IRF and SNF claims and the Provider of Services file.

Comparing outcomes for patients with noncompliant conditions treated in IRFs and SNFs

- Ideally, we would compare functional outcomes, but functional status at admission is used to set payment rates and may reflect differential coding, not differences in outcomes
- Instead, we compared claims-based outcomes similar to those reported by CMS
- We computed and risk-adjusted measures using our population of IRF noncompliant cases and comparable SNF cases

Note: IRF (inpatient rehabilitation facility), SNF (skilled nursing facility). We define noncompliant cases as those that do not count toward meeting the 60% compliance threshold.

Differences in outcomes for noncompliant IRF cases and comparable SNF cases are hard to interpret

| Measure (risk adjusted) | IRF | SNF |
|--|----------|----------|
| Readmissions within 30 days after discharge | 11.2% | 11.3% |
| Readmissions during IRF or SNF stay | 4.5% | 10.3% |
| Discharge to community | 73.1% | 55.8% |
| Medicare spending per beneficiary (resource use) | \$33,897 | \$28,529 |

Note: IRF (inpatient rehabilitation facility), SNF (skilled nursing facility). Medicare spending includes spending during the IRF or SNF stay and the 30 days after discharge (excluding Part D drugs). We define noncompliant cases as those that do not count toward meeting the 60% compliance threshold. IRF and SNF values were statistically significantly different at the 5% level except for "Readmissions within 30 days after discharge."

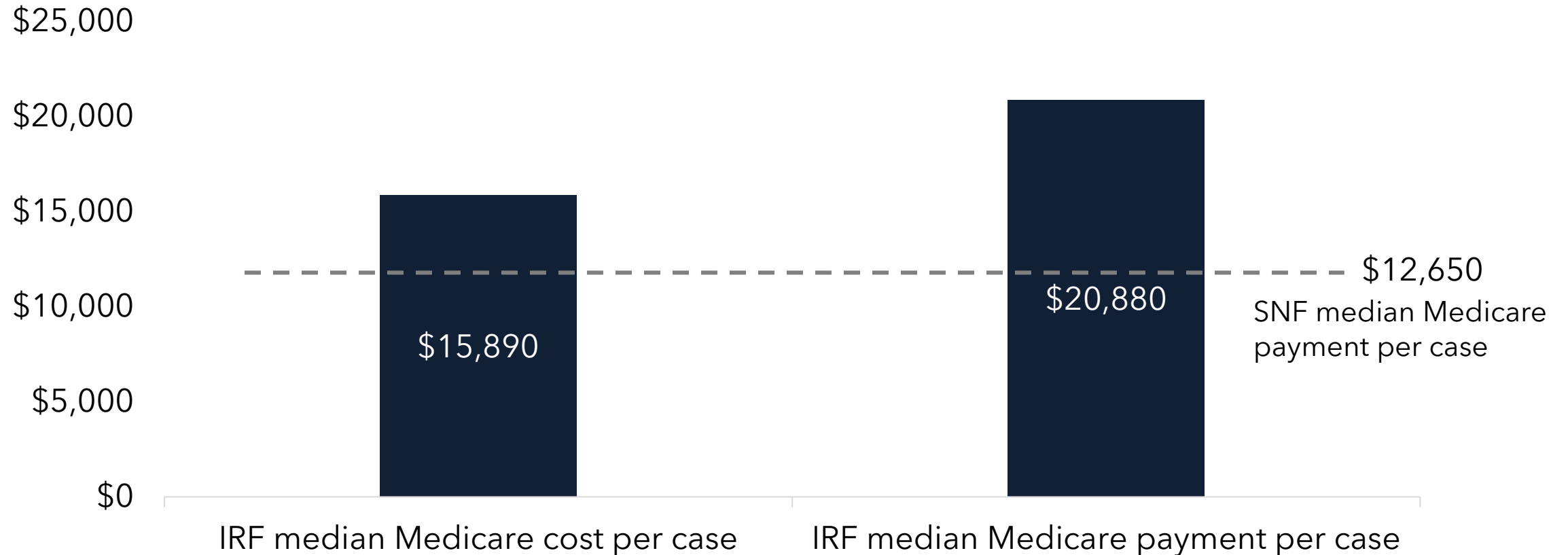
Source: Analysis of 2021 fee-for-service Medicare IRF and SNF claims.

- Even with risk adjustment, differences in outcomes are likely to reflect underlying differences in patient populations, not necessarily the results of the care patients received
- As hospitals, IRFs can handle the worsening of many patient conditions that many SNFs cannot treat
- Facility and coverage rules restrict the patients that IRFs can admit



Alternative approaches to paying for noncompliant cases

IRF Medicare payments for noncompliant cases were substantially higher than costs, 2021



Note: IRF (inpatient rehabilitation facility), SNF (skilled nursing facility). We define noncompliant cases as those that do not count toward the 60% compliance threshold. The SNF payment is for cases that would meet the noncompliant definition.

Source: Analysis of fiscal year 2021 fee-for-service Medicare IRF and SNF claims and Medicare cost reports.

Alternative approaches to paying for IRF noncompliant cases

- IRF payment rates could be lowered to equal:
 1. SNF payments,
 2. IRF costs (in aggregate), or
 3. Blend of current IRF payments and costs

Note: IRF (inpatient rehabilitation facility), SNF (skilled nursing facility). We define noncompliant cases as those that do not count toward meeting the 60% compliance threshold.

Impact of alternative approaches on payment rates and Medicare profitability

| Approach | Noncompliant cases | | All Medicare cases |
|--|--------------------|------|--------------------|
| | Rate reduction | PCR | PCR |
| Current | N/A | 1.22 | 1.22 |
| 1. Lowered to equal SNF payments | -66% | 0.41 | 1.00 |
| 2. Lowered to equal IRF costs | -18% | 1.00 | 1.16 |
| 3. Lowered to be a blend of current IRF payment and costs | -9% | 1.11 | 1.19 |

Note: PCR (payment-to-cost ratio), N/A (not applicable), SNF (skilled nursing facility), IRF (inpatient rehabilitation facility). A PCR greater than 1.0 indicates that the case would be profitable; a PCR less than 1.0 indicates that the case would be unprofitable. All cases include Medicare noncompliant and compliant cases. We define noncompliant cases as those that do not count toward meeting the 60% compliance threshold. We assumed no behavioral changes.

Source: Estimates were based on analysis of fiscal year 2021 fee-for-service Medicare claims and Medicare cost reports conducted by Acumen LLC.

- Approach 1, with the largest rate reductions, is most likely to affect admissions of noncompliant cases and the care they receive
- Approach 2, with modest rate reductions, is likely to have moderate effects on access to care and the care beneficiaries receive
- Approach 3, with the smallest reductions to rates, would have the least impact on IRF admitting practices and the care provided.

Lowering payment rates for select cases

- A more targeted approach to rate reductions would be an alternative to the Commission's standing recommendation to lower payment rates for all cases
- Would lower program payments
- Lowering the payment rates needs to be cautiously to:
 - Help protect access to IRFs for beneficiaries who need this level of care
 - Minimize any negative effects on the care beneficiaries receive

Note: IRF (inpatient rehabilitation facility).

Other improvements

Regularly update list of compliant conditions

- Add or delete conditions, as warranted
- Consider effects of any changes on the compliance threshold

Improve ways to prevent unnecessary admissions

- Clarify facility and coverage rules
- Monitor patterns of questionable behavior
- Enhance training and education of providers and claims reviewers
- Expand auditing of claims

Discussion

- The Commission has recommended an across-the-board rate reduction to all cases
 - Policymakers could consider targeting payment reductions for select cases
- CMS could:
 - Regularly review the list of compliant conditions and the effect of any changes on the compliance threshold
 - Improve ways to prevent unnecessary admissions

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