



Advising the Congress on Medicare issues

Assessing payment adequacy: Inpatient rehabilitation facilities

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Overview of IRFs

- IRFs provide intensive inpatient rehabilitation therapy
- In 2008:
 - Over 332,000 FFS beneficiaries admitted to IRFs
 - About 1,200 IRFs
 - Medicare spending exceeded \$5.8 billion

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

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

Margins vary by type of provider

IRF Medicare margins in 2008

	% of IRFs	% of Medicare discharges	Margins
All			9.5%
Urban	83 %	91%	9.7
Rural	17	9	7.4
Hospital-based	82	61	4.2
Freestanding	18	39	18.0
Nonprofit	61	54	5.3
For-Profit	24	38	16.8
1 - 10 beds	9	2	-5.0
11 - 21 beds	39	21	0.6
22 - 59 beds	39	42	8.6
60 + beds	12	34	17.0

Note: Figures preliminary and subject to change

2010 margin estimate

	<u>2008</u>	<u>Estimated 2010</u>
All IRFs' margin	9.5%	5.0%

- Payment rates frozen at 2007 level for 2nd half of 2008 and all of 2009 (MMSEA); full market basket update for 2010
- Outlier adjustment in 2009