Advising the Congress on Medicare issues

Assessing payment adequacy: Inpatient rehabilitation facility services

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MEDPAC

Overview of IRFs

- Provide intensive rehabilitation to qualifying cases
- IRFs are hospital-based (80%) or freestanding (20%)
- Medicare FFS is largest payer
  - 60% of all IRF cases
  - 361,000 cases and $6.07 billion in expenditures (2009)

Questions from December meeting

- Number of IRF patients admitted from the community
- How long after admission on weekends must therapy begin
- Growth in cost per case adjusted for case-mix
- How freestanding IRFs lower growth in cost per case
- All payer margin

Assessing adequacy of IRF payments

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

Access to IRF care appears adequate

- Supply stable in 2009: close to 1,200 IRFs
- Occupancy rates stable: 62.8 % in 2009
- Number of IRF beds stabilized in 2009
- Volume remains stable in 2009: Number of FFS cases increased by 1.5%

Source: MedPAC analysis of 2009 Provider of Services (POS) data, hospital cost reports, and Medicare MEDPAR from CMS

Quality of care

- Between 2004 to 2010
  - Gain in functional status between admission and discharge increased
  - Functional status at admission lowered

- Gain in functional status could reflect improved quality or declining functional status at admission

Note: Data is preliminary and subject to change

Panel on IRF quality measures

- Panelists emphasized importance of risk-adjustment; suggested IRF-PAI as data collection instrument

Process measures discussed	Outcome measures discussed
Medication management	Change in functional status
Pain management	Discharge to the community
Falls	Hospital readmissions
Cognitive function and depression	Nursing facility admissions
Pressure ulcers	Durability of IRF care
Patient satisfaction	
Care transitions	

Note: Data is preliminary and subject to change

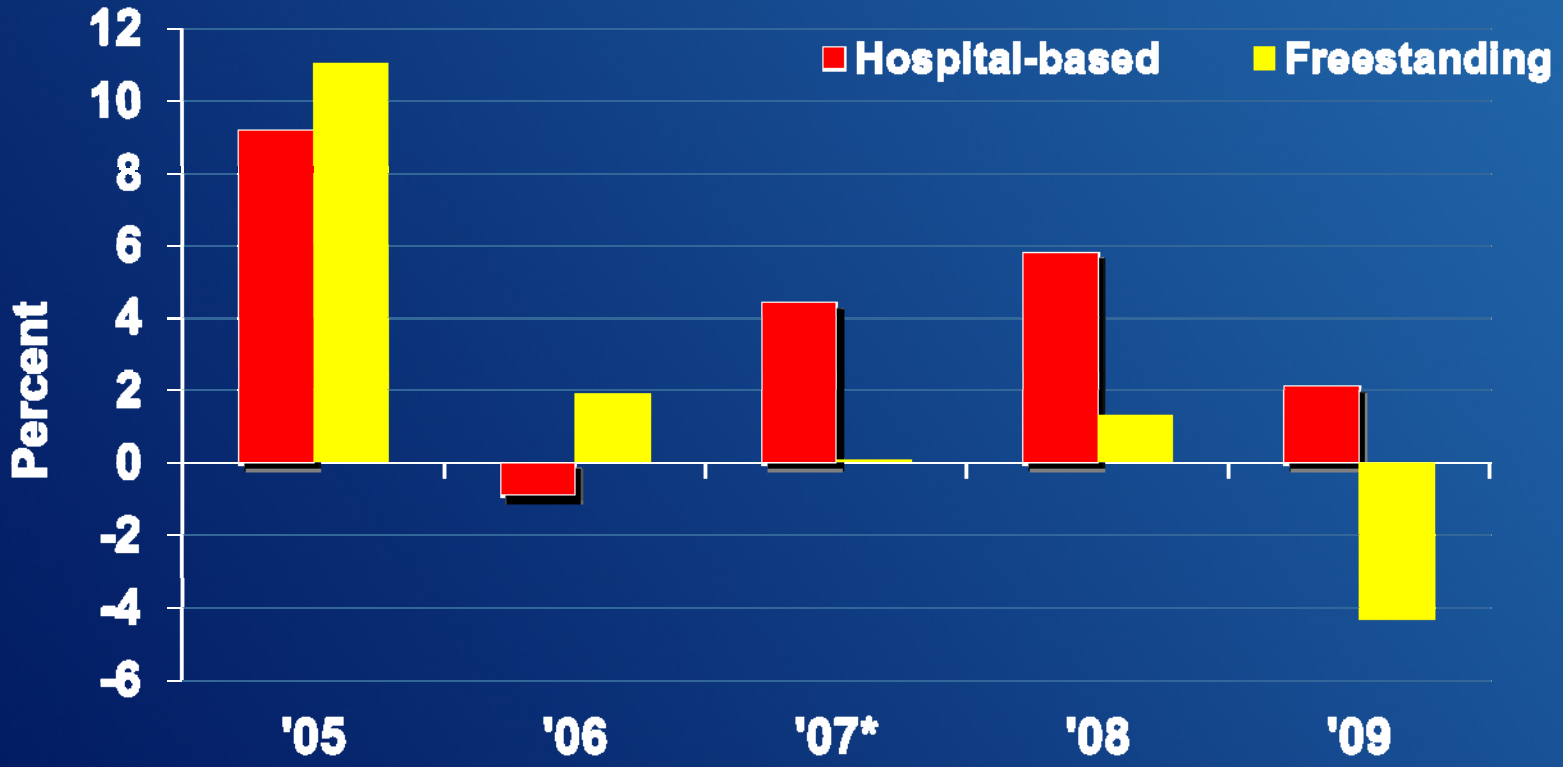
Access to capital appears adequate

- Hospital-based units
  - Access capital through their parent institutions
- Two major freestanding IRF chains
  - Positive revenue growth
  - Able to fund acquisitions and refinance debt

Note: Data is preliminary and subject to change

IRF cost growth adjusted for case-mix and wages

Growth in cost per case adjusted for case-mix and wage index



* In 2007, freestanding IRFs' adjusted cost per case grew by 0.05%

Note: Figures preliminary and subject to change

Source: MedPAC analysis of Medicare claims data and hospital cost reports from CMS

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Medicare margins decline but remain healthy

	2004	2006	2008	2009
All	16.6%	12.4%	9.6%	8.4%
Urban	16.9	12.6	9.8	8.5
Rural	13.9	10.6	7.9	6.6
Hospital-based	12.1	9.7	4.4	0.5
Freestanding	24.7	17.4	18.2	20.1
Bed size				
1-10	3.4	-3.6	-4.1	-10.7
11-21	9.6	7.0	0.9	-2.4
22-59	16.0	12.3	8.7	6.3
60+	22.5	17.5	17.2	18.3

Note: Figures preliminary and subject to change

Source: MedPAC analysis of Medicare hospital cost reports from CMS