

# **An alternative method to establish Medicare payments for select conditions treated in inpatient rehabilitation facilities**

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# Presentation roadmap

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# Past MedPAC work considered site-neutral payments across post-acute care settings

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- MedPAC and others have documented the overlap in the types of patients treated in different PAC settings
- In 2023, MedPAC evaluated a unified payment system for PAC that would establish site-neutral payments across settings
  - Concluded that while a PAC PPS could establish accurate payments, it would be complicated to implement
  - Stated that MedPAC would look for opportunities for smaller-scale site-neutral payments
- In 2015, MedPAC recommended site-neutral payments between IRFs and SNFs for select conditions
- Types of patients treated in the two settings continue overlap, yet payment rates remain considerably different

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

# Narrow the payment differences between IRFs and SNFs for conditions that do not typically require intensive rehabilitation

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- IRF rehabilitation services are more intensive than those in SNFs, but not all patients treated in IRFs may require this level of care
- Medicare's payment rates to IRFs are considerably higher than those in SNFs
- Medicare should base its payment rates on the resources needed to treat patients in the lowest-cost, appropriate setting
- Explore alternative ways to narrow the difference in payment rates between IRFs and SNFs for patients who do not require the intensity of IRF services

Note: IRF (inpatient rehabilitation facilities), SNF (skilled nursing facilities).

# Background on the IRF industry

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- 1,200 IRFs
- Uneven distribution across the country
- Medicare spending in 2021: \$8.5 billion
- Medicare margin in 2021: 17%

Note: IRF (inpatient rehabilitation facility).

# Levels of service differ in IRFs and SNFs

## IRF care

- IRFs are licensed as hospitals
- Offer generally intensive rehabilitation
- Physician-led care. A rehabilitation physician sees a patient 3 times per week
- RN present 24 hours per day
- Admission criteria:
  - Beneficiary is expected to tolerate and benefit from intensive rehabilitation (~ 3 hours a day/5 days a week)
  - Beneficiary requires 2+ therapy modalities

## SNF care

- SNFs licensed as nursing homes
- No requirements for daily therapy
- LPN present 24 hour per day; RN present 8 consecutive hours per day
- Physician must supervise care and see a patient every 30 days for the 1<sup>st</sup> 90 days, less frequently thereafter
- Admission criteria:
  - Beneficiary must require a daily skilled service ordered by a physician
  - Patient had a prior 3-day hospital stay (not required for MA enrollees)

Should Medicare pay for IRF-level of care for treating conditions that do not need it?

**Note:** IRF (inpatient rehabilitation facility), PPS (prospective payment system), SNF (skilled nursing facility), LPN (licensed practical nurse), RN (registered nurse).

# CMS's definitions of qualifying and nonqualifying conditions in IRFs

## Qualifying conditions

- 13 conditions identified by CMS that typically require intensive therapy
  - E.g., stroke, spinal cord and brain injuries, and hip fractures
- To be paid as an IRF, stays with qualifying conditions must make up 60% or more of IRF stays
- The "60% rule" is intended to differentiate IRFs from acute care hospitals

## Nonqualifying conditions

- Conditions that typically do not require intensive rehabilitation therapy
  - E.g., Debility, cardiac, and pain
- CMS has stated that these conditions could be treated in a lower-cost setting
- Nonqualifying cases can comprise up to 40% of IRF volume

**Note:** IRF (inpatient rehabilitation facility).

# Identifying IRF nonqualifying stays and comparable SNFs stays

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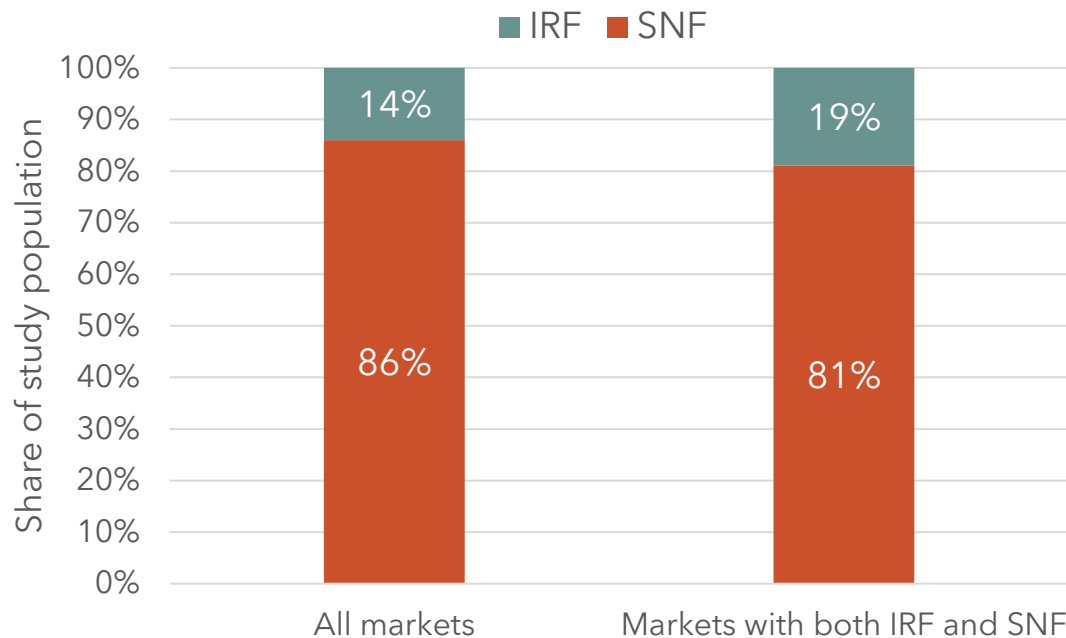
- CMS developed an algorithm to determine 60% compliance based on impairment groups, diagnosis codes, comorbidities, age, BMI
- We applied CMS's algorithm to 2021 IRF and SNF data to identify nonqualifying IRF stays and comparable SNF stays
  - 30 percent of IRF stays identified as nonqualifying
  - 60 percent of SNF stays identified as comparable to IRF nonqualifying stays

**Note:** IRF (inpatient rehabilitation facility), SNF (skilled nursing facility), BMI (body mass index). CMS's presumptive compliance algorithm is here: <https://www.cms.gov/files/document/specifications-determining-irf-60-rule-compliance.pdf>. For IRFs with less than 50 percent of their population covered by Medicare (Parts A and C), compliance is determined only by medical review of a sample of records.



# Majority of beneficiaries with nonqualifying conditions are treated in SNFs, even in markets with IRFs

Share of nonqualifying conditions in IRFs and SNFs by market type, 2021



- Less than a third of markets have at least one IRF (70% of Medicare beneficiaries live in these markets)
- Nearly all markets have SNFs
- Most patients with nonqualifying conditions are treated in SNFs (86% of stays)
- This is true even in markets with both IRFs and SNFs (81% of stays)

**Note:** IRF (inpatient rehabilitation facility), SNF (skilled nursing facility), COPD (chronic obstructive pulmonary disease). Markets were defined using 2019 data on hospital services areas from the Dartmouth Atlas.

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

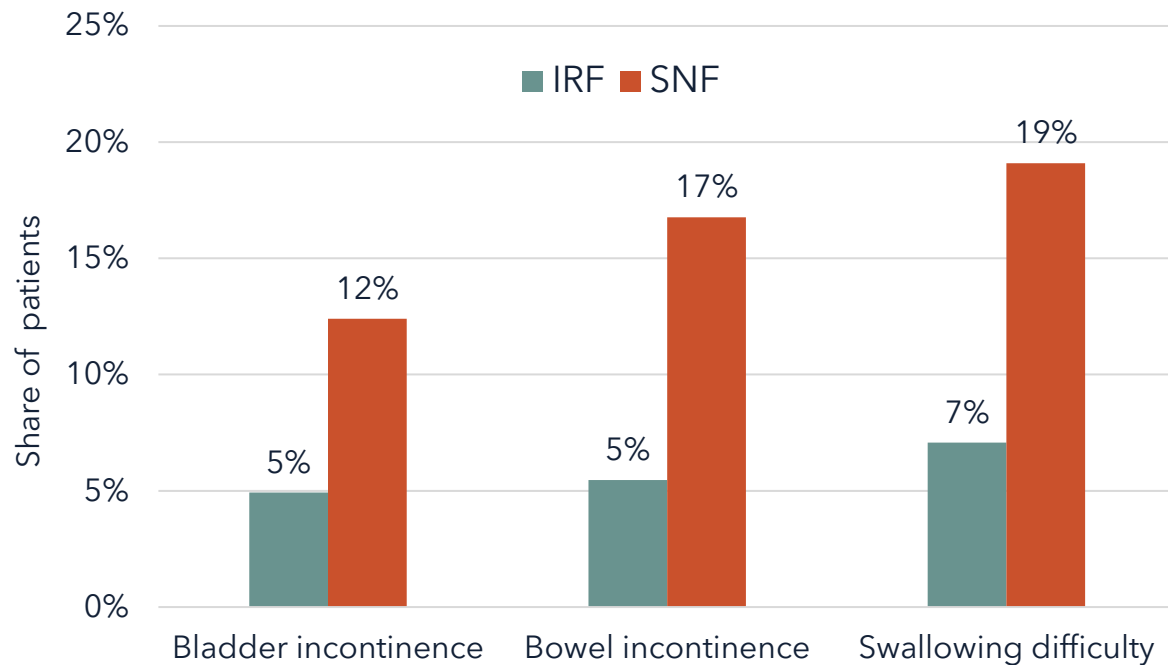
# Older beneficiaries and those with low incomes are more likely to be treated in SNFs than in IRFs, 2021

Characteristic	Nonqualifying IRF stays	Comparable SNF stays
Median risk score (25 <sup>th</sup> to 75 <sup>th</sup> percentile)	1.8 (1.0 to 3.3)	2.0 (1.1 to 3.6)
Median age (25 <sup>th</sup> to 75 <sup>th</sup> percentile)	77 (71 to 84)	79 (72 to 87)
Share of patients who are 85+ years old	24%	33%
Low-income share	17%	36%
ESRD share	0.4%	0.4%
Disabled share	7%	8%

**Note:** FFS (fee-for-service), IRF (inpatient rehabilitation facility), SNF (skilled nursing facility), ESRD (end-stage renal disease). Numbers in parentheses are the 25th to 75th percentile range.

**Source:** Analysis of 2021 Medicare IRF and SNF fee-for-service claims, Medicare enrollment file, and hierarchical condition category risk scores from CMS.

# Nonqualifying IRF stays had lower rates of impairments compared with similar SNF stays, 2021



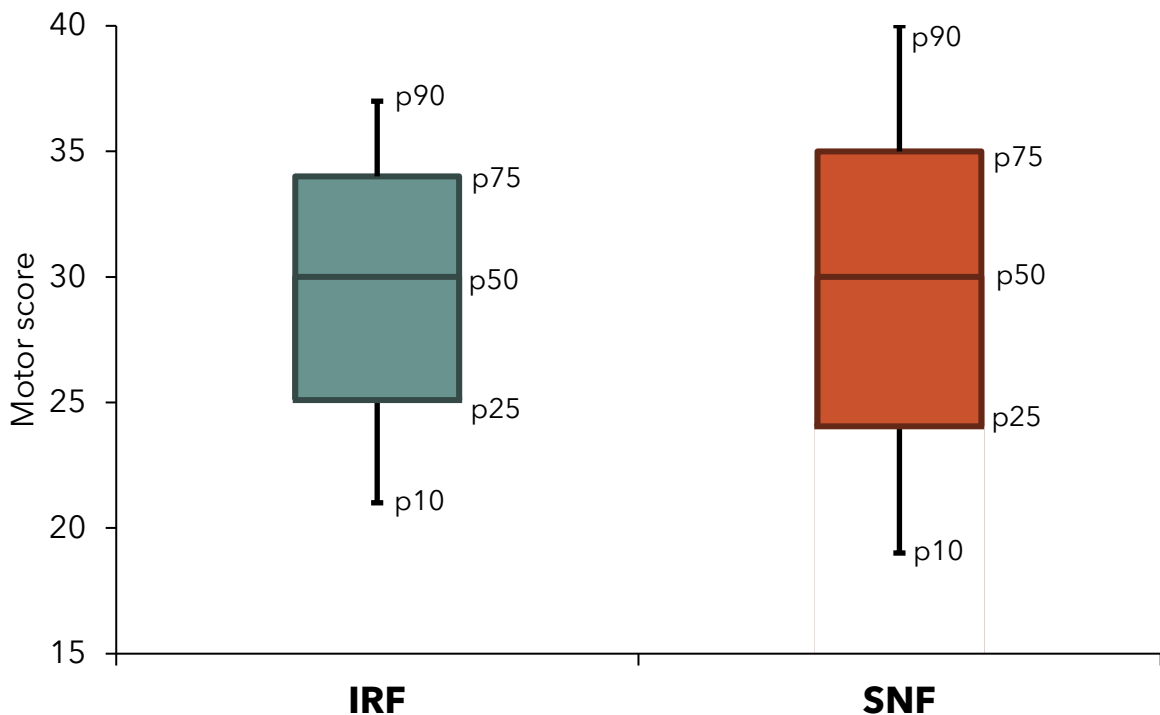
**Note:** IRF (inpatient rehabilitation facility), SNF (skilled nursing facility). Nonqualifying stays are stays that do not meet CMS's presumptive compliance for IRFs applied to IRFs and SNFs.

**Source:** Analysis of 2021 Medicare fee-for-service IRF and SNF patient assessments from CMS.

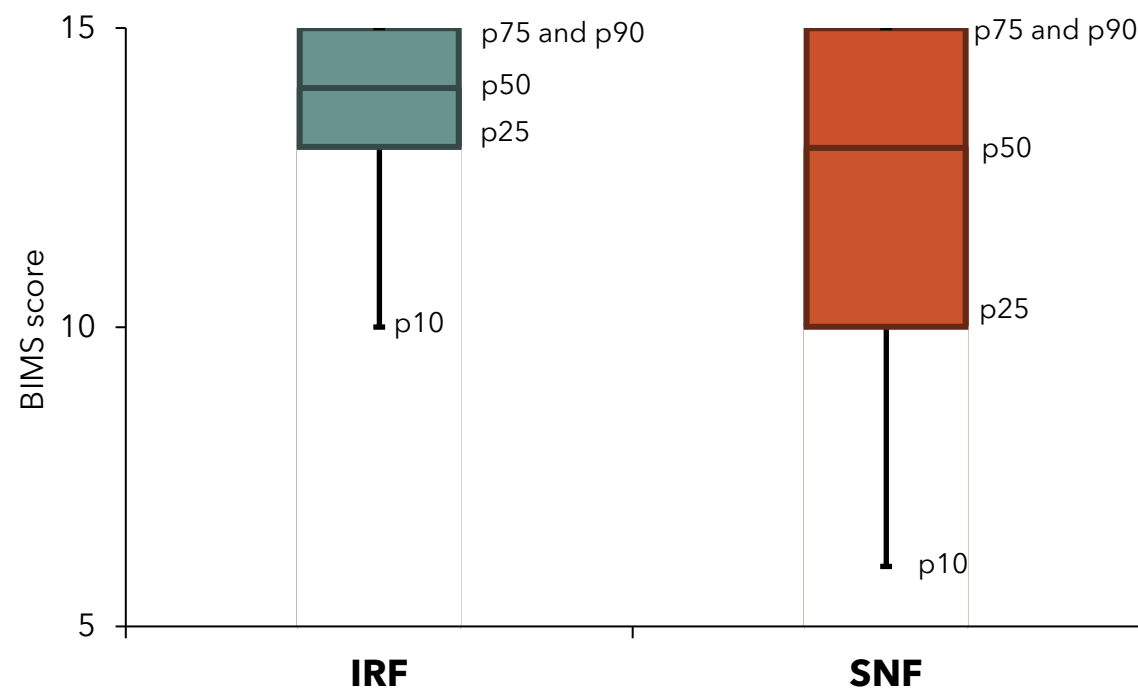
- IRF patients with nonqualifying stays had substantially lower rates of incontinence and swallowing difficulty
  - May be because IRF patients must be able to benefit from intensive therapy
- IRF patients with nonqualifying stays also had lower rates of comorbidities

# IRF patients with nonqualifying stays and comparable SNF patients had similar functional status, 2021

## Motor score



## Cognitive score



**Note:** IRF (inpatient rehabilitation facility), SNF (skilled nursing facility). The motor score is a composite of nine self-care and mobility items recorded in the Minimum Data Set and Inpatient Rehabilitation Facility Patient Assessment Instrument Patient Assessments. Nonqualifying stays are stays that do not meet CMS's presumptive compliance for IRFs. The "p" label in the graph represents percentiles.

**Source:** Analysis of 2021 Medicare fee-for-service IRF and SNF patient assessments.

**Note:** IRF (inpatient rehabilitation facility), SNF (skilled nursing facility), BIMS (Brief Interview for Mental Status). Nonqualifying stays are stays that do not meet CMS's presumptive compliance for IRFs, applied to both IRFs and SNFs. The BIMS summary score is a 15-point scale based on cognitive items on the Inpatient Rehabilitation Facility Patient Assessment Instrument and the SNF Minimum Data Set. Higher scores indicate higher cognitive function; lower scores indicate cognitive impairment. The "p" label in the graph represents percentiles.

**Source:** Analysis of 2021 Medicare fee-for-service IRF and SNF patient assessments.

# Nonqualifying stays in IRFs had shorter lengths of stay and more daily therapy than those treated in SNFs, 2021

	Nonqualifying IRF stays	Comparable SNF stays
Median length of stay	12	25
Median minutes of therapy per day	125	56
Median total minutes of therapy per stay	1,355	1,258

- Stays in IRFs are shorter than stays in SNFs
- IRF patients receive substantially more minutes of therapy per day
- Total minutes of therapy per stay is more similar between settings

**Note:** IRF (inpatient rehabilitation facility), SNF (skilled nursing facility). Cotreatment therapy is excluded from the calculation of minutes of therapy a day. The length of stay is calculated as the number of days from admission to discharge. IRF therapy data are available only for the first 14 days of the IRF stay so we only included IRF stays that were 14 days or fewer (N = 57,630), which comprise about 70 percent of all IRF nonqualifying stays.

**Source:** Analysis of 2021 IRF and SNF claims and assessment data from CMS.

# Payments for nonqualifying IRF stays were about 40 percent higher than for comparable SNF stays, 2021

\$20,880

**Median Medicare payment  
for nonqualifying IRF stay**

\$12,650

**Median Medicare payment  
for comparable SNF stay**

**Note:** IRF (inpatient rehabilitation facility), SNF (skilled nursing facility). IRF payments include wage index, rural, teaching, outlier, and low-income subsidy adjustments. IRF and SNF payments are rounded to the nearest 10th. Payments cover most ancillary services but do not include payments made to physicians under the physician fee schedule.

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

# What is Medicare buying for the higher IRF payment rates for nonqualifying conditions?

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- Payment rates are much higher in IRFs than in SNFs; IRF patients are either similar or have fewer impairments
- Nonqualifying conditions typically do not require intensive rehabilitation that is unique to IRFs
- Are there differences in outcomes for nonqualifying stays and comparable SNF stays?
  - Compare risk-adjusted rates of admissions to acute hospitals and discharges to community, and Medicare spending per beneficiary

Note: IRF (inpatient rehabilitation facilities), SNF (skilled nursing facilities).

# Options to establish payment rates for nonqualifying stays in IRFs

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Alternative methods to narrow the difference in payment rates between IRF and SNFs for nonqualifying stays

- 1) Use the SNF PPS to set payment rates
  - IRF PPS would be used to set payment rates for qualifying stays
- 2) Lower IRF PPS payment rates by a set percentage
  - Base reduction on the difference in payment rates between IRF and SNF

Note: IRF (inpatient rehabilitation facilities), SNF (skilled nursing facilities).



# Future analyses and discussion

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## Future analyses

- Estimate payments for nonqualifying stays under an alternative payment method
- Model impacts on IRFs
- Compare outcomes for nonqualifying stays treated in IRFs with similar SNF stays

## Possible informational chapter in the June 2024 report

## Discussion

- Questions about the work presented
- Are there additional analyses you would like to see?

**Note:** IRF (inpatient rehabilitation facilities), SNF (skilled nursing facility).

# Medicare Payment Advisory Commission

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