



Highlights of [GAO-05-366](#), a report to Senate Committee on Finance and House Committee on Ways and Means

Why GAO Did This Study

Medicare classifies inpatient rehabilitation facilities (IRF) using the “75 percent rule.” If a facility can show that during 1 year at least 75 percent of its patients required intensive rehabilitation for 1 of 13 specified conditions, it may be classified as an IRF and paid at a higher rate than is paid for less intensive rehabilitation in other settings. Medicare payments to IRFs have grown steadily over the past decade. In this report, GAO (1) identifies the conditions—on and off the list—that IRF Medicare patients have and the number of IRFs that meet a 75 percent threshold, (2) describes IRF admission criteria and Centers for Medicare & Medicaid Services (CMS) review of admissions, and (3) evaluates use of a list of conditions in the rule. GAO analyzed data on Medicare patients (the majority of patients in IRFs) admitted to IRFs in FY 2003, spoke to IRF medical directors, and had the Institute of Medicine (IOM) convene a meeting of experts.

What GAO Recommends

GAO recommends that CMS take several actions, including refining the rule to describe more thoroughly the subgroups of patients within a condition that require IRF services, possibly using functional status or other factors in addition to condition, to help ensure that IRFs can be classified appropriately and that only patients needing IRF services are admitted. CMS generally agreed with the recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-05-366.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Marjorie Kanof at (202) 512-7114.

MEDICARE

More Specific Criteria Needed to Classify Inpatient Rehabilitation Facilities

What GAO Found

In fiscal year 2003, fewer than half of all IRF Medicare patients were admitted for having a condition on the list in the 75 percent rule, and few IRFs admitted at least 75 percent of their patients for one of those conditions. The largest group of patients had orthopedic conditions, not all of which were on the list in the rule, which had been suspended in 2002. Almost half of all patients with conditions not on the list were admitted for orthopedic conditions, and among those the largest group was joint replacement patients. Although some joint replacement patients may need admission to an IRF, GAO’s analysis showed that few of these patients had comorbidities that suggested a possible need for the IRF level of services. Additionally, GAO found that only 6 percent of IRFs in fiscal year 2003 were able to meet a 75 percent threshold.

IRFs varied in the criteria used to assess patients for admission, and CMS has not routinely reviewed IRF admission decisions. IRF officials reported that the criteria they used to make admission decisions included patient characteristics such as function, as well as condition. CMS, working through its fiscal intermediaries, has not routinely reviewed IRF admission decisions.

The experts IOM convened and other clinical and nonclinical experts GAO interviewed differed on whether conditions should be added to the list in the 75 percent rule but agreed that condition alone does not provide sufficient criteria to identify the types of patients appropriate for IRFs. The experts IOM convened questioned the strength of the evidence for adding conditions to the list, finding the evidence for certain orthopedic conditions particularly weak, and they called for further research to identify the types of patients that need inpatient rehabilitation and to understand the effectiveness of IRFs. Other experts did not agree on whether conditions, including a broader category of joint replacements, should be added to the list. Experts, including those IOM convened, generally agreed that condition alone is insufficient for identifying appropriate types of patients for inpatient rehabilitation, since within any condition only a subgroup of patients require the level of services of an IRF, and contended that functional status should also be considered.