



Highlights of [GAO-05-825T](#), a report before the Subcommittee on Health, Committee on Ways and Means, House of Representatives

## Why GAO Did This Study

Medicare classifies inpatient rehabilitation facilities (IRF) using the “75 percent rule.” If a facility can show that during a 12-month period at least 75 percent of its patients required intensive rehabilitation for 1 of 13 listed conditions, it may be classified as an IRF and paid at a higher rate than for less intensive rehabilitation in other settings. Because this difference can be substantial, it is important to classify IRFs correctly. GAO was asked to discuss issues relating to the classification of IRFs, and in April 2005 it issued a report, *Medicare: More Specific Criteria Needed to Classify Inpatient Rehabilitation Facilities* (GAO-05-366). For that report, GAO analyzed data on all Medicare patients (the majority of patients in IRFs) admitted to IRFs in fiscal year 2003, spoke to IRF medical directors, and had the Institute of Medicine (IOM) convene a meeting of experts to evaluate the use of a list of conditions in the 75 percent rule. This testimony is based on the April 2005 report.

## What GAO Recommends

In its April 2005 report, GAO recommended that CMS take several actions, including describing more thoroughly the subgroups of patients within a condition that require IRF services, possibly using functional status or other factors in addition to condition. CMS generally agreed with the recommendations.

[www.gao.gov/cgi-bin/getrpt?GAO-05-825T](http://www.gao.gov/cgi-bin/getrpt?GAO-05-825T).

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

As noted in the April 2005 report, GAO found that in fiscal year 2003 fewer than half of all IRF Medicare patients were admitted for having a primary condition on the list in the 75 percent rule. 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. The experts IOM convened said that uncomplicated unilateral joint replacement patients rarely need to be admitted to an IRF, and GAO analysis suggested that relatively few of the Medicare unilateral joint replacement patients had comorbid conditions 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.

GAO also found that IRFs varied in the criteria used to assess patients for admission, using patient characteristics such as functional status, as well as condition. The Centers for Medicare & Medicaid Services (CMS), working through its fiscal intermediaries, had not routinely reviewed IRF admission decisions to determine whether they were medically justified, although it reported that such reviews could be used to target problem areas.

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. 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 some of them reported that little information was available on the need for inpatient rehabilitation for cardiac, transplant, pulmonary, or oncology patients. They called for further research to identify the types of patients that need inpatient rehabilitation and to understand the effectiveness of IRFs. There was general agreement among all the groups of experts interviewed 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 that functional status should also be considered in addition to condition.

GAO concluded that if condition alone is not sufficient for determining which types of patients are most appropriate for IRFs, more conditions should not be added to the list at the present time and the rule should be refined to clarify which types of patients should be in IRFs as opposed to another setting.