



October 18, 2011

The Honorable Patty Murray
Co-Chair
Joint Select Committee on Deficit reduction
United States Senate
Washington, DC 20510

The Honorable Jeb Hensarling
Co-Chair
Joint Select Committee on Deficit reduction
United States House of Representatives
Washington, DC 20515

Dear Senator Murray and Representative Hensarling:

The undersigned organizations thank you for your service on the Joint Select Committee on Deficit Reduction. We appreciate the challenge and urgency of restoring our nation's fiscal stability and understand that everyone will be called on to contribute to a solution. The difficult decisions you make related to Medicare spending should incorporate key facts related to inpatient rehabilitation facilities (IRF) and the disproportionate and unwarranted IRF cuts proposed in the President's recent deficit reduction proposal.

The Administration has proposed three misdirected cuts for inpatient rehabilitation hospitals and units that exceed \$10 billion over 10 years. These proposals were made under the inaccurate premise that Medicare spending on inpatient rehabilitation has dramatically increased, when, in fact, the opposite is true. In June 2011, the Medicare Payment Advisory Commission (MedPAC) reported that Medicare spending on IRF services has remained flat, with \$6.4 billion spent in 2004, and the same amount spent in 2010. In short, **inpatient rehabilitation hospitals and units are not a Medicare cost-driver.**

Clinically, Medicare rules mandate that inpatient rehabilitation hospitals and units provide a scope of service that is unique from all other hospitals and post-acute care providers. MedPAC and the Centers for Medicare & Medicaid Services (CMS) have reported that IRFs provide far lower readmission rates than skilled nursing facilities (SNF) (9.4 percent compared with 22.0 percent) and far higher discharge-to-community rates than SNFs (81 percent compared with 46 percent). **These positive clinical results combined with stable Medicare spending demonstrate that inpatient rehabilitation hospitals and units are providing value to the Medicare program and, therefore, should not be targeted for further cuts.** Specifically, we are highly concerned about the following IRF proposals:

- **IRF and SNF Patients and Payments Are Not Interchangeable.** Strict Medicare criteria require inpatient rehabilitation hospitals and units to only admit patients who require hospital-level care and resources. Therefore, Medicare must pay hospital-level rates for hospital-level IRF services. The Administration's "site neutral" proposal to arbitrarily reduce IRF payments for certain conditions ignores the IRF physician, nursing, hospital infrastructure and related costs that are not covered by SNF rates. Only in inpatient rehabilitation hospitals and units do beneficiaries receive medical and therapy services that include a rehabilitation physician, who leads the inter-disciplinary medical

team and examines the patient at least three times per week; around-the-clock registered nursing care; and three hours of therapy per day.

- **New Medicare Rules Make “60% Rule” Change Unnecessary.** CMS relies on several policy tools to ensure that inpatient rehabilitation hospitals and units only treat patients who require hospital-level care and intensive rehabilitation. These include strict facility and patient criteria, the 60% Rule, and audits by Medicare Administrative Contractors and Recovery Audit Contractors. The patient and facility criteria implemented by CMS in January 2010 impose a far stricter IRF standard than existed when the original “75% Rule” was implemented in 1983, revised in 2004, and experienced a lowering of the threshold in 2007. Today, under these new criteria, a rehabilitation physician must validate a patient’s pre-admission screening before the patient can proceed to an IRF, and then examine the patient to reconfirm whether the patient is appropriate for an IRF admission. **These distinct policies provide a stringent and comprehensive regulatory directive for IRFs to only treat patients who truly need care in this specialized setting, or face the risk of payment denial by Medicare auditors. Therefore, any proposal to raise the 60% Rule to a higher threshold is wholly unnecessary.**
- **IRFs Already Have A Flat Cost Curve.** Medicare payments to inpatient rehabilitation hospitals and units have been controlled through a series of cuts and regulatory restrictions. Any further market-basket cuts, as proposed by the Administration, would be excessive and harm patient access to care. IRFs are already subject to two annual market-basket reductions as part of the *Patient Protection and Affordable Care Act* and absorbed an 18-month payment freeze to offset the cost of changing the former 75% Rule to the 60 percent threshold. **These cuts, in conjunction with the new patient criteria and the 60% Rule, have held IRFs to a zero growth rate from 2004 through 2010 – no further cuts are warranted.**

We respectfully urge Congress to reject the President’s cuts to inpatient rehabilitation hospitals and units, which would diminish IRF services for beneficiaries recovering from illnesses ranging from strokes to spinal cord injuries to traumatic brain injuries.

Sincerely,

American Hospital Association
Federation of American Hospitals
American Medical Rehabilitation Providers Association

Cc: The Honorable Max Baucus, Member, Joint Select Committee on Deficit Reduction
The Honorable Xavier Becerra, Member, Joint Select Committee on Deficit Reduction
The Honorable Dave Camp, Member, Joint Select Committee on Deficit Reduction
The Honorable James E. Clyburn, Member, Joint Select Committee on Deficit Reduction
The Honorable John F. Kerry, Member, Joint Select Committee on Deficit Reduction
The Honorable Jon Kyl, Member, Joint Select Committee on Deficit Reduction
The Honorable Rob Portman, Member, Joint Select Committee on Deficit Reduction

The Honorable Patty Murray and The Honorable Jeb Hensarling

October 18, 2011

Page 3

The Honorable Pat Toomey, Member, Joint Select Committee on Deficit Reduction

The Honorable Fred Upton, Member, Joint Select Committee on Deficit Reduction

The Honorable Chris Van Hollen, Member, Joint Select Committee on Deficit Reduction