Eli's Rehab Report

IRFs: Navigate the 2008 PPS Final Rule With These Strategies

Outlier threshold takes a major jump

Inpatient rehabilitation facilities' 2008 PPS final rule is out. This time around, the rule isn't a particularly groundbreaking one, but you should still tune your reimbursement radar to a couple key highlights. **Eli** will steer you in the right direction.

Bottom line: IRFs will see a payment increase of about $150 million, CMS boasted in a July 31 press release. For you, this means a 3.2 percent increase based on the rehabilitation, psychiatric and long-term care hospital (RPL) market basket--a typical yearly raise that IRFs would expect, says **Ann Lambert Kremer, OTR/L, MHSA, CPC**, owner of Beacon Rehab Solutions in Portland, Maine.

But reading deeper into the rule, you'll see several changes that will have some facilities hurting more than others.

Bigger Is Not Better With the Outlier Threshold

The most important change to note is CMS' decision to raise the high-cost outlier threshold from $5,534 in 2007 to $7,362 in 2008. This change is "based on an analysis of 2006 data, which indicates that this threshold would maintain estimated outlier payments at 3 percent of estimated total payments under the IRF PPS," CMS said. In other words, it was a move to keep the IRF payments budget-neutral.

The impact: A higher outlier threshold means "fewer cases would qualify for outlier payments," CMS said.

How it works: "In the 2007 rule, if your costs went over the CMG payment by $5,334, you could collect an outlier payment," Kremer tells **Eli.** But "now, your costs must exceed $7,362 before you can collect. For example, if, under the final rule, your CMG payment is $12,000, your costs would have to exceed $19,362 before you would qualify for an outlier payment. But under the 2007 rule, you would quality when your costs exceeded $17,334," Kremer says.

Watch for: This significant jump in the outlier threshold "hurts the inner-city, trauma and teaching hospitals, as they typically have the most complex patients and 'psycho-socially complicated' patients who fall outside the 'mean,' " Kremer says.

Don't Short-Change Your Short-Stay Cases

While the chance of cases qualifying for outlier payments will be less, on the other hand, CMS was sure to clarify the short-stay transfer policy. "Short-stay transfer cases that meet the criteria to qualify for outlier payments are eligible to receive the additional payments," CMS said.

Translation: "Short-stay cases are paid at a fixed rate that is not based on diagnosis or functional abilities; for example, a short-stay stroke patient is paid the same as a short-stay hop fracture patient," Kremer says. "So if your costs during that short stay exceed the allowable fixed short-stay payment by $7,362, you can collect an outlier payment."

The 75-Percent-Rule Saga Continues

If you were hoping for a break on the 75 rule, the 75 percent threshold for eligible diagnoses will still take effect for facilities whose cost reporting periods begin on or after July 1, 2008. CMS also held firm that the same facilities would no longer be able to use comorbidities to determine whether they meet the 75-percent-rule requirements. "Although CMS carefully examined comments regarding the 75 percent rule, at this time data analysis and clinical research do not support revising the current policy," the agency said in a press release.

Look at it this way: "I do not think providers are ready to stop fighting," Kremer says, but comorbidity cases "is not a large population of patients. I think they [IRFs] would concede this if they won some leniency on other aspects of the 75 percent rule."