Report in Brief
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U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL

Medicare Could Have Saved Approximately $993 Million in 2017 and 2018 if It Had Implemented an Inpatient Rehabilitation Facility Transfer Payment Policy for Early Discharges to Home Health Agencies

Why OIG Did This Audit

In 2020, the Trustees of the Part A Hospital Insurance Trust Fund urged policymakers to take timely action to address projected deficits that could lead to deficits of $9.6 billion by 2026. We performed this audit because an audit regarding the Centers for Medicare & Medicaid Services' (CMS's) early transfer payment policies for hospitals to hospice care indicated that significant savings could be realized for the Medicare program if CMS implemented an inpatient rehabilitation facility (IRF) transfer payment policy for early discharges to home health agencies (HHAs).

Our objective was to determine how much Medicare could have saved in calendar years 2017 and 2018 if CMS had expanded the IRF transfer payment policy to include early discharges to home health care.

How OIG Did This Audit

For IRF stays that occurred in 2017 and 2018, 1,152 IRFs submitted 802,275 claims with payments totaling $16.1 billion. Our audit covered 230,725 claims totaling $4.8 billion for which the length of stay: (1) was more than 3 days but less than the case-mix group average length of stay and (2) matched an actual HHA date of service that was within 3 days of the IRF discharge date. We calculated the savings CMS would have realized for these claims if the transfer payment policy covered discharges to home health. We used claims with a date of service within 3 days of the IRF discharge date for our calculations to be consistent with regulations for discharges from acute-care hospitals to home health care.

What OIG Found

Medicare could have saved approximately $993 million in 2017 and 2018 if CMS had expanded its IRF transfer payment policy to apply to early discharges to home health care. We determined that this payment policy would generally result in payments to IRFs that would cover their costs to provide care. When CMS announced its proposed IRF transfer payment policy in 2001, it stated that it would analyze claims data to compare billing patterns prior to and after its implementation and refine IRF payments in the future, if warranted. CMS officials did not explain why CMS has not expanded the IRF transfer payment policy to cover discharges to home health care. CMS also did not analyze claims data to compare billing patterns prior to and after the implementation of the Medicare prospective payment system for IRFs in January 2002, which could have provided information in support of expanding the IRF transfer payment policy to include early discharges to home health care.

What OIG Recommends and CMS Comments

We recommend that CMS take the necessary steps to establish an IRF transfer payment policy for early discharges to home health care. If this expanded policy had been in place, Medicare could have saved $993,134,059 in 2017 and 2018.

CMS stated that it will consider our recommendation when determining the appropriate next steps for the IRF prospective payment system. It said that expanding the IRF transfer payment policy would require notice and comment rulemaking, and that the policy developed during a notice and comment period would ultimately determine any potential savings.