AMRPA
AMERICAN MEDICAL REHABILITATION PROVIDERS ASSOCIATION
2020 FALL EDUCATIONAL
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OCTOBER 4-8, 2020

I, Daniel Walter, have no commercial relationships to disclose.

Agenda

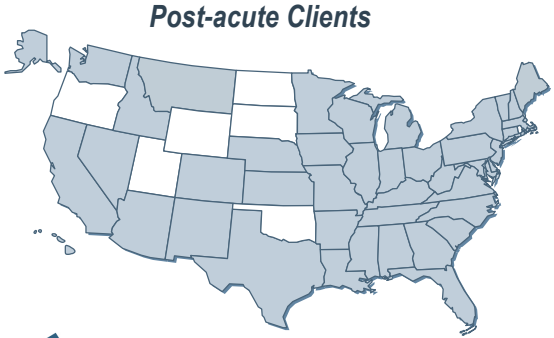
- Introduction
- Brief Overview of Industry Trends
- Discuss Financial Implications
- Review Key Steps to Ensure Volume Growth
- Questions and Discussion

#AMRPAFall20

National Rehab and Post-acute Consulting Experience

- National post-acute practice – acute and post-acute clients in 40+ states
- Over one-third of the +/- 100 freestanding NFP IRFs nationally
- Multiple proprietary IRFs and health systems
- Community hospitals and faith-based organizations
- Major academic medical centers and integrated health systems
- Freestanding and hospital-based SNFs, HHAs, IRFs, LTCHs, hospice
- Other

Post-acute Clients



Program Focus
Acute rehabilitation
Skilled care/subacute care
LTCH
Home health
Hospice
Assisted living
Outpatient rehabilitation
Other

Practice Areas
Strategic planning
Demand analysis
Program feasibility
Financial impact analysis
Operational improvement
CON/Regulatory Support
Board/leadership education
Other

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Nationally, IRF/IRU Utilization Continues to Grow

Although each local market is different, most national data suggests **IRF/IRU volumes continue to increase….**

USA 2010 - 2019 IRF/IRU Admissions - All Payors

Source: UDS

Financial Class	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Medicare FFS	296,756	309,320	311,392	314,758	316,997	321,875	323,217	322,486	325,897	335,541
Medicare Advantage	45,328	45,089	47,360	49,211	51,928	53,478	53,503	56,602	62,707	70,597
All Other	135,159	136,559	135,717	136,206	140,893	143,587	143,933	143,092	145,103	132,282
Total	**477,243**	**490,968**	**494,469**	**500,175**	**509,818**	**518,940**	**520,653**	**522,180**	**533,707**	**538,420**

USA 2010 - 2018 IRF/IRU Admissions - All Payors

Source: MedPAC March 2020 Report to Congress

Financial Class	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Medicare FFS	359,307	371,288	373,284	373,118	375,590	381,339	390,514	379,885	408,038	NA
UDS % of US Medicare FFS Admits	*82%*	*83%*	*83%*	*84%*	*84%*	*84%*	*82%*	*85%*	*80%*	*NA*

⇨ UDS database appears to capture **80 – 85 percent** of all Medicare FFS IRF/IRU discharges nationally

⇨ As such UDS data likely a reasonably good indicator of **national IRF/IRU utilization trends**

⇨ UDS data shows year-over-year **increases in total IRF/IRU discharges for the last 9 years**, with the **annual growth typically 1.0% - 2.0% per year**

⇨ Additionally, Total/All Payor volume has shown **year over year increases for the last 8 years**

Covid-19 Impact on IRF/IRU Utilization

- Nationally, there have clearly been IRF/IRU decreases in volume due to the Covid pandemic – UDS data shows **approximately a 7.0 percent decrease since March**
- However, many IRFs/IRUs report seeing a **10 – 15 percent *increase in volume*** due to greater reluctance of patients and providers to utilize SNFs as much as they may have been used
  - This may be a **marketing opportunity** for some IRFs/IRUs, and long-term this dynamic should be a positive factor for rehabilitation providers
  - IRFs/IRUs should capitalize on the **differences between these two levels of care**

2019 – 2020 IRF/IRU Discharges by Month

Year	Jan	Feb	Mar	Apr	May	Jun	July	August	YTD	March-August
2019	43,570	42,471	46,358	45,080	47,391	42,808	44,972	46,357	361,026	272,966
2020	45,178	43,925	45,093	36,252	42,631	43,586	44,774	42,031	345,490	254,367
Variance	3.7%	3.4%	-2.7%	-19.6%	-10.0%	1.8%	-0.4%	-9.3%	-4.3%	-6.8%

Source: UDSmr

Size of the IRF/IRU Landscape

- There are approximately **1,150 IRF/IRU providers in the country** – while some smaller IRUs have closed in recent years, there continues to be slow annual growth in the number of new IRFs
- Approximately **70 percent of the freestanding IRFs** are owned and operated by proprietary providers - many of these are in partnership with NFP health systems

2019 US IRF/IRU Providers

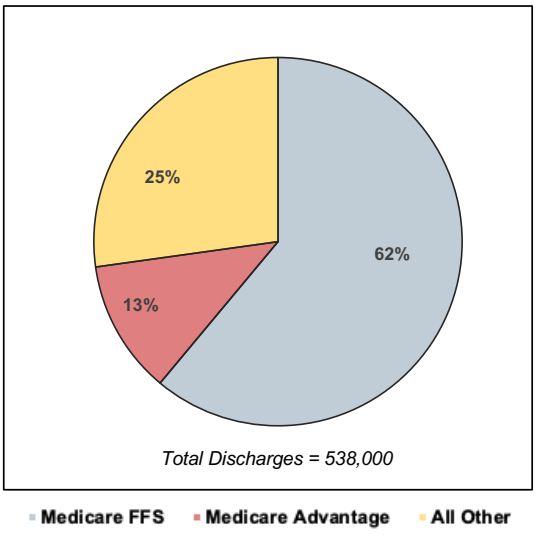
Type	Providers	Beds	Avg. Bed Size
IRFs	298	18,774	63
HB-IRUs	851	21,275	25
Total	**1,149**	**40,049**	**35**

- *There are approximately 4,000 acute care hospitals in the US, so **20 – 25 percent** of all hospitals have an IRU or IRF within their continuum*
- *However, at least **50 percent of all local multi-hospital systems** have at least one IRF/IRU within their network*

Medicare FFS Important Indictor For IRF/IRU Success

- Although Medicare FFS is not 100 percent of the IRF/IRU universe, it remains the **largest single payor** for most providers, and for the industry
- As such, trends with Medicare FFS utilization offers critical insight into **potential IRF/IRU provider opportunities**

US 2019 IRF/IRU Admissions by Major Financial Class



Source: UDSmr

Medicare FFS Acute Care to IRF/IRU Conversion Rates

The most recent national data available shows that overall, the national average for the conversion rate of Medicare FFS acute care patients to IRF/IRU services is **3.8 percent**

US 2009 - 2017 Acute Care to IRF/IRU Conversion Rate

Discharge Disposition	2009	2012	2013	2014	2015	2016	2017	Best Practices Low	Best Practices High
SNF	19.8%	20.3%	20.7%	21.0%	21.2%	20.8%	20.7%	16.0%	18.0%
HHA	15.2%	15.9%	16.5%	16.8%	16.9%	17.2%	17.9%	22.0%	24.0%
IRF	**3.3%**	**3.5%**	**3.6%**	**3.8%**	**3.9%**	**4.0%**	**3.8%**	**4.5%**	**6.0%**
LTCH	1.1%	1.2%	1.2%	1.2%	1.2%	1.1%	1.1%	1.0%	2.0%
Hospice	2.1%	2.7%	2.7%	2.9%	3.0%	3.0%	3.1%	3.5%	4.0%
Total	**41.5%**	**43.6%**	**44.7%**	**45.7%**	**46.2%**	**46.1%**	**46.6%**	**47.0%**	**54.0%**

(a) June 2019 MedPAC Data Book, pg 68.
(b) Best Practices – Walter Consulting

*Best Practice conversion rate, however, is generally **4.5 to 6.0 percent**, depending upon the diagnostic mix of the acute care patient population*

HB-IRU Opportunity Profile

- A high-level review of national acute care and hospital-based IRU data from about one year ago showed that **almost 60 percent of IRUs** likely had volume growth opportunities that they were not capturing
- The review assessed the number of acute care Medicare FFS discharges, the total number of Medicare FFS IRU admissions, the beds available, and the program occupancy

HB – IRU Opportunity Analysis (a)

Status	Status	Count	% of IRUs
Huge Volume Opportunity	Low Conversion, Low Occupancy	285	37%
Potential Bed Expansion	Low/Moderate Conversion, High Occ.	165	21%
Subtotal: Growth Opportunities		**440**	**58%**
Incremental Volume Opp.	Moderate Conversion, Bed Availability	76	10%
Limited Internal Growth	High Conversion	249	32%
Total IRUs Profiled		**775**	**100.0%**

(a) Data available for 775 of estimated 851 IRUs

Increasing IRF/IRU ADC by 1.0 Will Increase Bottom Line by +/- $300K

FY 2018 Medicare FFS Financial Impact (a)

Avg. Pmt/Case (a)	**$20,124**
Est. Net Margin	**8.0%**
Est Cost (92%)	**$18,514**
Net Income/Case	**$1,610**
Est. Variable Cost/Case (50%)	**$9,257**
Est. Contribution Margin/Case	**$10,867**
ALOS	**12.7**
Est. Contribution Margin PPD	**$856**
Est. Impact of 1.0 ADC	**$312,000**
Annual Admissions Required To Achieve 1.0 ADC Increase	28.7

(a) Source: MedPAC March 2020 Report to Congress.

2018 Medicare FFS IRF Margin (a)

Bed Size	Net Margin
1 - 10	-5.5%
11 - 24	2.2%
25 - 64	17.0%
65+	21.1%
All IRF/IRUs	**14.7%**

(a) Source: MedPAC March 2020 Report to Congress.

*Increasing ADC by 1.0 requires only **29 incremental admissions per year**, or approx. **2 admissions per month***

This financial summary highlights the importance of **capturing every potential internal IRU referral**, and eliminating leakage to competitors

This also shows the value of ensuring appropriate staffing for **marketing/intake/census development** functions with staff who are **given specific volume targets**

*The smaller the IRU, **the larger the potential impact** (due to lower variable costs)*

IRF/IRU Development

Maximizing Program Potential
1. Understand the **volume potential** of your market and among key referring hospitals
2. Ensure **effective outreach**
3. Streamline and strengthen the **Pre-admission and Admission processes**
4. **Use data to identify gaps or opportunities** for market improvement
5. Deliver on **your promise**!

Understand Your Market and Referring Hospital Volume Potential

- The #1 step to achieving volume growth is to complete a market assessment and develop **targets for potential admissions, by referral source and by diagnosis**
- IRF/IRU volume targets should be based upon acute care patient profile, and **not the number of rehabilitation admissions last year**

Community Hospital – FY 2020 Sample Internal IRF Demand Projections

		ALOS		ADC		Bed Need (a)	
Diagnosis	**Admits**	**Low**	**High**	**Low**	**High**	**Low**	**High**
Neurology	304	16 - 18		13.3 - 15.0		16 - 18	
Orthopedics	207	10 - 14		5.7 - 7.9		7 - 9	
Brain Injury	46	17 - 20		2.1 - 2.5		3 - 3	
Non-T SCI	38	17 - 19		1.8 - 2.0		2 - 2	
Traumatic SCI	35	25 - 28		2.4 - 2.7		3 - 3	
Mjr Mltp Trm	34	20 - 23		1.9 - 2.2		2 - 3	
Cardiology	39	10 - 12		1.1 - 1.3		1 - 2	
Pulmonology	28	10 - 14		0.8 - 1.1		1 - 1	
Other Medical	116	12 - 14		3.8 - 4.4		4 - 5	
Total	**847**	**14 - 17**		**32.8 - 39.1**		**39 - 46**	

(a) Assumes 85% occupancy.

*Program manager and liaisons should be **held accountable** to achieve these targets*

Effective Outreach

- Ensure **adequate manpower for census development**, i.e., liaisons, Intake Coordinators, etc.
  - A common rule of thumb is **+/- 1.0 liaison for every ten beds**, although this is variable depending upon nature of referrals and competitive environment
- Provide referral source a **Yes/No answer within 2 – 4 hours**, although actual admission may be dependent upon insurance authorization for non-Medicare FFS patients (Medicare FFS 60% of all admissions nationally)
- Consider **incentive-based compensation for liaisons** that is tied to performance – specifically tied to achieving admission target

Streamline and Strengthen the Pre-admission and Admission processes

Empower liaisons to respond to referrals rapidly through **agreed upon admission criteria** – e.g., utilization of a "Red/Yellow/Green" assessment tool

- Two-thirds of all admissions should be Red or Green, with a rapid Yes/No response

Apply admission criteria consistently – referral sources should not get a different response that varies upon the particular physician or liaison reviewing the referral

Screen patients **"In" not "Out"**

Educate acute care Case Managers/Discharge Planners and **acute care therapists** as to appropriate IRF/IRU referrals – providing pocket cards can be helpful reminders

Ensure that it is just as easy to admit **internal referrals** (if part of a health system) as it is to admit out-of-area referrals

Use Data to Identify Opportunities For Market Improvement

FIM Measure	Facility	Reg'l	Nat'l	Potential Opportunity
Days Onset	13.1	11.4	11.7	• Days Onset **longer than peer group** suggests: 1. Your acute care hospital is incurring **unnecessary LOS** 2. You are **losing IRU referrals** to other providers – probably SNF programs
CMI	1.23	1.28	1.30	• CMI that is too low suggests possibility to pick up **add'l stroke or other higher acuity** patients • CMI that is too high suggests potential to admit **add'l orthopedics and/or debility patients**
Admit FIM	61.0	58.4	59.4	• Admit FIM higher than average suggests not admitting patients quickly enough & **possible losses to SNF** or other providers
ALOS	12.5	13.7	13.5	• ALOS lower than peer group suggests potential to admit **more high acuity patients** • ALOS significantly higher than peer group suggests potential to admit lower acuity patients (if CMI also high)
60% Compliance	88.5%	64.0%	65.0%	• High compliance suggests ability to **increase additional medically appropriate non-compliant admissions**

All FIM data must be reviewed simultaneously, however, so that any single item is not misinterpreted

Deliver on Your Promise!

At the end of the day, for long-term IRF/IRU success the most important factors are providing **high quality, measurable, performance outcomes**
• FIM gains, LOS, and FIM efficiency, etc. compared to peers (program specific)
• Medicare quality ratings
• Patient satisfaction
• Referral source satisfaction
• Employee satisfaction
• Financial performance
• Other facility-specific metrics that might be available

Questions?

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