



*Atlanta, GA*

# PPS Coordinators & Rehab Council Educational Week

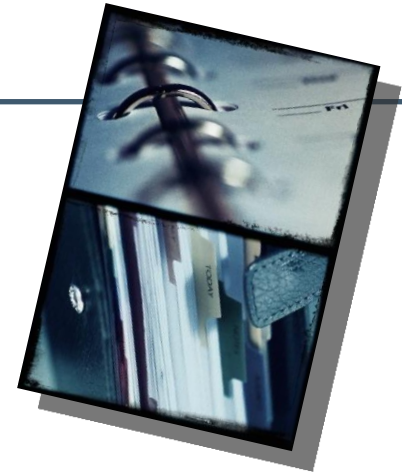
## *Volume Enhancement and Marketing*

December 8, 2020



# Agenda

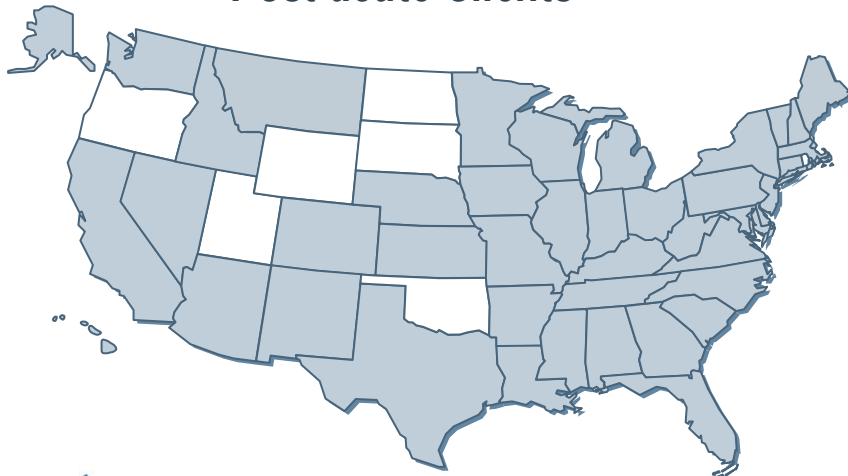
- Introduction
- Review IRF Industry Trends
- Discuss Financial Implications of Incremental Volume
- Review Key Steps to Ensure Volume Growth
- Questions and Discussion



# 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

# 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
<b>Total</b>	<b>477,243</b>	<b>490,968</b>	<b>494,469</b>	<b>500,175</b>	<b>509,818</b>	<b>518,940</b>	<b>520,653</b>	<b>522,180</b>	<b>533,707</b>	<b>538,420</b>

## USA 2010 - 2018 IRF/IRU Admissions – Medicare FFS

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 Medicare FFS Admits	82%	83%	83%	84%	84%	84%	82%	85%	80%	NA
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- ⤴ 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 10 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 10 years**

# Covid-19 Impact on IRF/IRU Utilization

- Nationally, there have been modest IRF/IRU decreases in volume due to the Covid pandemic – UDS data shows **approximately a 3.0 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

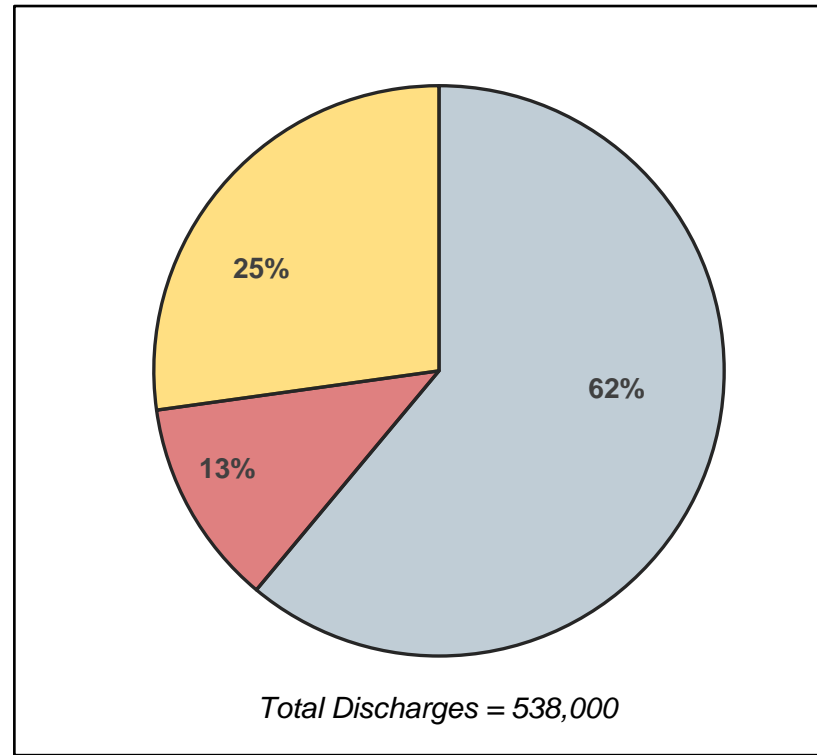
Year	Jan	Feb	Mar	Apr	May	Jun	July	August	Sept	October	YTD	March-Oct
2019	42,295	41,237	45,104	43,789	46,152	41,648	43,868	45,130	41,391	46,168	436,782	353,250
2020	44,997	43,739	44,875	35,991	42,349	43,306	44,588	42,469	43,618	45,416	431,348	342,612
<b>Variance</b>	<b>6.4%</b>	<b>6.1%</b>	<b>-0.5%</b>	<b>-17.8%</b>	<b>-8.2%</b>	<b>4.0%</b>	<b>1.6%</b>	<b>-5.9%</b>	<b>5.4%</b>	<b>-1.6%</b>	<b>-1.2%</b>	<b>-3.0%</b>

Source: UDSmr

# Medicare FFS Important Indicator 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 offer critical insight into **potential IRF/IRU provider opportunities**

## US 2019 IRF/IRU Admissions by Major Financial Class



■ Medicare FFS ■ Medicare Advantage ■ All Other

Source: UDSmr

# Medicare FFS Acute Care to IRF/IRU Conversion Rates

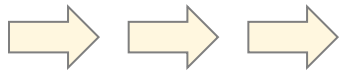
The most recent national data available shows that overall, the national average for the conversion rate of Medicare FFS acute care patients to IRF/IRU services is **3.8 percent**

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

Discharge Disposition	2009	2012	2013	2014	2015	2016	2017	Best Practices	
								Low	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%
<b>IRF</b>	<b>3.3%</b>	<b>3.5%</b>	<b>3.6%</b>	<b>3.8%</b>	<b>3.9%</b>	<b>4.0%</b>	<b>3.8%</b>	<b>4.5%</b>	<b>6.0%</b>
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%
<b>Total</b>	<b>41.5%</b>	<b>43.6%</b>	<b>44.7%</b>	<b>45.7%</b>	<b>46.2%</b>	<b>46.1%</b>	<b>46.6%</b>	<b>47.0%</b>	<b>54.0%</b>

(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 Profile

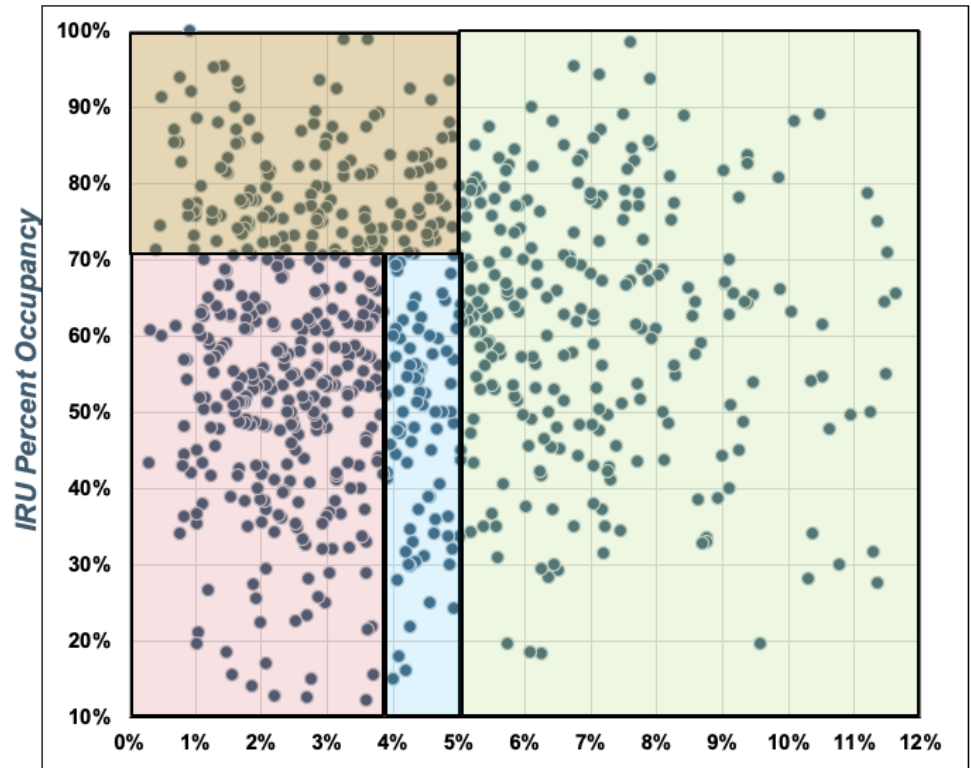
- In FY 2018, CMS reported **899 Medicare-certified HB-IRUs**
- Utilization FY 2017/2018 data collected on 775 of these providers (86 percent of total) to assess the percent conversion of Medicare FFS acute care patients to IRU, IRU occupancy and **opportunities for incremental growth**

## FY 2017/2018 HB-IRU Opportunity Analysis

Status	Profile	Count	% of IRUs
Huge Volume Opportunity	Low Conversion, Low Occupancy	285	37%
Incremental Volume Opp.	Moderate Conversion, Bed Availability	76	10%
Potential Bed Expansion	Low/Moderate Conversion, High Occ.	165	21%
Limited Internal Growth	High Conversion	249	32%
<b>Total IRUs Profiled</b>		<b>775</b>	<b>100.0%</b>

68%

**FY 2017/2018 HB-IRU Provider Utilization (a)**  
*Medicare FFS Acute Conversion to IRU and IRU Occupancy*



**Est. Percent Medicare FFS Discharged to IRU**

(a) Source: Provider Medicare Cost Reports; assume 80% Medicare FFS IRU admits from host hospital.



## 2019 Estimated Georgia Rehabilitation Utilization by Hospitals With IRFs/IRUs

Hospital (a)	Acute Care				Inpatient Rehabilitation					Estimated % Acute Medicare Discharges to IRF	IRU Occ. %	Admit Volume Chg from 2017
	Acute Beds	Discharges			Beds	Admissions			ALOS			
		Medicare	Total	ADC		Medicare	Total	ADC				
Hospital 1	212	2,477	10,464	164	23	248	370	12.3	12.1	8.0%	53.5%	=
Hospital 2	179	3,429	10,985	153	29	329	522	18.6	13.0	7.7%	64.1%	-
Hospital 3	206	2,632	11,229	129	20	203	394	14.8	13.7	6.2%	74.0%	+
Hospital 4	210	4,588	11,035	151	22	344	474	14.3	11.0	6.0%	65.0%	+
Hospital 5	169	2,087	6,871	87	33	153	450	14.5	11.8	5.9%	43.9%	-
Hospital 6	165	3,150	9,713	118	20	280	468	15.7	12.2	5.3%	78.5%	-
Hospital 7	113	2,191	6,696	66	10	144	212	6.4	11.0	5.3%	64.0%	+
Hospital 8	227	4,737	13,772	191	19	308	545	16.6	11.1	5.2%	87.4%	+
Hospital 9	260	3,723	15,944	224	28	236	492	19.5	14.5	5.1%	69.6%	+
Hospital 10	145	2,191	7,425	83	15	138	245	10.3	15.3	5.0%	68.7%	+
Hospital 11	437	5,646	25,797	378	30	311	622	26.1	15.3	4.4%	87.0%	-
Hospital 12	392	3,343	18,197	214	30	176	777	19.6	9.2	3.7%	65.3%	+
Hospital 13	226	3,678	9,096	148	20	163	254	7.5	10.8	3.5%	37.5%	-
Hospital 14	208	5,220	11,565	136	20	210	318	13.8	15.8	3.2%	69.0%	=
Hospital 15	257	4,330	14,043	189	14	169	250	8.7	12.7	3.1%	62.1%	+
Hospital 16	405	4,832	17,446	286	25	141	300	11.5	14.0	2.3%	46.0%	-
Hospital 17	367	3,829	18,504	259	20	108	322	10.0	11.3	2.3%	50.0%	+
Hospital 18	491	2,412	16,822	274	20	62	214	11.5	19.6	2.1%	57.5%	-
Hospital 19	642	10,991	40,080	536	20	208	543	17.9	12.0	1.5%	89.5%	+
Hospital 20	542	11,153	36,193	490	24	181	377	14.1	13.7	1.3%	58.8%	+
Hospital 21	244	1,691	9,244	120	20	25	78	3.5	16.4	1.2%	17.5%	-
<b>Total</b>	<b>6,097</b>	<b>88,330</b>	<b>321,121</b>	<b>4,395</b>	<b>462</b>	<b>4137</b>	<b>8,227</b>	<b>287.2</b>	<b>12.7</b>	<b>3.7%</b>	<b>62.2%</b>	<b>+</b>

Source: FY 2019 Provider Medicare Cost Reports.

(a) One HB-IRU excluded from summary due to potential data errors.

### Data notes:

- % Medicare Discharges to IRF assumes 70% - 90% of all hospital discharges to IRF were placed in the hospital IRF, and that all Medicare IRF admissions came from host hospital

# 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
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(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**

## 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%
<b>All IRF/IRUs</b>	<b>14.7%</b>

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

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

Diagnosis	Admits	ALOS		ADC		Bed Need (a)	
		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
<b>Total</b>	<b>847</b>	<b>14</b>	<b>- 17</b>	<b>32.8</b>	<b>- 39.1</b>	<b>39</b>	<b>- 46</b>

(a) Assumes 85% occupancy.



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

# Case Study #1

- Large five-hospital system in the Midwest – approximately 60,000 total discharges
- One freestanding IRF and one HB-IRF unit
- Non-CON state, many LTCHs in service area (none within health system)

## FY 2019 Potential IRF admissions by Hospital and Diagnosis

Hospital	Neurology/BI			Orthopedics			SCI/MMT			All Other			Total		
	Admits		%	Admits		%	Admits		%	Admits		%	Admits		%
	Potential	Actual	Capture	Potential	Actual	Capture	Potential	Actual	Capture	Potential	Actual	Capture	Potential	Actual	Capture
Hospital 1	122	51	41.4%	102	120	118.2%	12	4	30.4%	45	52	115.6%	280	226	80.7%
Hospital 2	54	32	58.3%	48	68	143.2%	9	4	47.1%	20	26	127.5%	130	129	99.2%
Hospital 3	71	30	42.3%	34	57	166.2%	5	5	90.0%	33	41	126.2%	143	132	92.6%
Hospital 4	284	219	77.1%	76	110	144.9%	134	85	63.7%	137	145	106.2%	630	559	88.7%
Hospital 5	55	48	87.3%	57	128	223.7%	17	13	73.5%	17	20	117.6%	146	208	142.5%
<b>Total</b>	<b>586</b>	<b>379</b>	<b>64.7%</b>	<b>316</b>	<b>482</b>	<b>152.6%</b>	<b>176</b>	<b>110</b>	<b>62.4%</b>	<b>251</b>	<b>284</b>	<b>112.9%</b>	<b>1,328</b>	<b>1,254</b>	<b>94.4%</b>

### Findings

1. Although system doing a good job of capturing Ortho and Debility/Misc. patients, there was significant opportunity to improve capture of **Neurology and Trauma patients**
2. An additional 275 admissions would increase IRF ADC by 12.0 patients, and improve Net Income by **\$3.0+ Million annually**
3. These patients **MUST** be targeted to “Backfill” empty beds as IRF criteria tightens

## Case Study #2

- Mid-size acute care hospital in Southwest with 20-bed IRU
- IRU ADC = 11.0
- 90+ percent of IRU admissions come from host hospital
- High compliance, with relatively few “Other Medical” or Miscellaneous cases

### Community Hospital – FY 208 IRF Market Assessment

Current Admissions	300
Compliant Cases	225
<b>Compliance Percent</b>	<b>75%</b>
Target Compliance	65%
Potential Admissions	345
<b>Potential Increase</b>	<b>45</b>
Percent Increase	15.0%
Increase ADC (a)	1.6
<b>Incremental Operating Income</b>	<b>\$500,000</b>

#### Findings

Opportunity identified to admit 40 – 50 non-ortho/neuro patients, mostly cardiac, pulmonary, post-surg and other general debility patients, with **significant financial impact**

# Effective Outreach

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- 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
<b>Days Onset</b>	13.1	11.4	11.7	<ul style="list-style-type: none"> <li>Days Onset <b>longer than peer group</b> suggests:                             <ol style="list-style-type: none"> <li>Your acute care hospital is incurring <b>unnecessary LOS</b></li> <li>You are <b>losing IRU referrals</b> to other providers – probably SNF programs</li> </ol> </li> </ul>
<b>CMI</b>	1.23	1.28	1.30	<ul style="list-style-type: none"> <li>CMI that is too low suggests possibility to pick up <b>add'l stroke or other higher acuity</b> patients</li> <li>CMI that is too high suggests potential to admit <b>add'l orthopedics and/or debility patients</b></li> </ul>
<b>Admit FIM</b>	61.0	58.4	59.4	<ul style="list-style-type: none"> <li>Admit FIM higher than average suggests not admitting patients quickly enough &amp; <b>possible losses to SNF</b> or other providers</li> </ul>
<b>ALOS</b>	12.5	13.7	13.5	<ul style="list-style-type: none"> <li>ALOS lower than peer group suggests potential to admit <b>more high acuity patients</b></li> <li>ALOS significantly higher than peer group suggests potential to admit lower acuity patients (if CMI also high)</li> </ul>
<b>60% Compliance</b>	88.5%	64.0%	65.0%	<ul style="list-style-type: none"> <li>High compliance suggests ability to <b>increase additional medically appropriate non-compliant admissions</b></li> </ul>

*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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