Illinois Health and Hospital Association

May 26, 2022

Chiquita Brooks-LaSure
Administrator
Centers for Medicare & Medicaid Services
Department of Health and Human Services
Hubert H. Humphrey Building
200 Independence Avenue SW
Washington, D.C. 20201

Re: FY 2023 Inpatient Rehabilitation Facility PPS Proposed Rule (CMS-1767-P)

Dear Director Brooks-LaSure:

On behalf of our 40 member inpatient rehabilitation facilities, the Illinois Health and Hospital Association (IHA) appreciates the opportunity to comment on the fiscal year (FY) 2023 Inpatient Rehabilitation Facility (IRF) Prospective Payment System (PPS) proposed rule. IHA appreciates the Centers for Medicare & Medicaid Services' (CMS) streamlined approach in developing this rule, and the myriad proposals that will align the IRF PPS with other sectors of Medicare payment. Our comments focus on the proposed FY 2023 rate update, the 5% wage index cap policy, changes to the IRF teaching status adjustment policy, and changes to the IRF Quality Reporting Program (QRP).

Proposed FY 2023 Rate Update

We are disappointed with CMS' proposed FY 2023 IRF PPS rate update. After accounting for the productivity adjustment and sequestration, CMS' proposed rate update drops to 0.7% compared to FY 2022. This rate update is woefully inadequate given the fiscal realities of healthcare at present.

CMS relies on IHS Global Inc.'s fourth quarter 2021 forecast, which is based on historical data through the third quarter of 2021. While this methodology accounts for some of the economic realities of the COVID-19 pandemic, it clearly does not track with the realized increased cost of providing healthcare.

Consider a January 2022 analysis by Kaufmann Hall which found a 20.1% increase in hospital expenses per patient from 2019 to 2021.[1] This includes a 36.9% increase in per patient cost on drugs, a 19.1% increase in per patient cost on labor, and a 20.6%

[1] https://www.aha.org/system/files/media/file/2022/04/2022-Hospital-Expenses-Increase-Report-Final-Final.pdf

increase in per patient cost on supplies compared to pre-pandemic levels. All of these estimates vastly outpace the proposed FY 2023 rate update from CMS.

Further, as of May 11 the annual inflation rate for the United States is 8.3%.[2] Thus, CMS' proposed FY 2023 rate update does not even keep pace with inflation. Even without inflation and COVID-related price hikes, the Medicare program only reimburses hospitals about 88% of cost in Illinois. Without a more adequate rate increase, the margin between cost and Medicare reimbursement will only widen.

Finally, a recent analysis from McKinsey & Company indicates that by 2025, the U.S. will face three challenges to effectively meeting patient care needs. These include a decreased supply of the registered nurse workforce, an increased inpatient demand from or related to COVID-19, and increased demand/work setting shifts due to a growing and aging population.[3] This is our new reality, and considering the Medicare fee-for-service population is driving the third concern, now is the time for CMS to enhance healthcare resources, not limit them.

To that end, IHA strongly urges CMS to do everything within its statutory authority to increase payment rates to IRFs and other healthcare providers. We suggest CMS reassess the data and methodology used for the annual market basket update, and do everything in its power to formulate a rate update that better reflects the fiscal reality hospitals currently face.

Proposed Permanent 5% Cap on Wage Index Decreases

IHA supports CMS' proposal to make permanent the 5% cap on wage index decreases. However, we question CMS' stance that this policy must be budget neutral. In fact, for some Illinois IRFs the budget neutrality factor associated with the wage index 5% cap almost negates the policy altogether. The financial stability of hospitals continues to be impacted by the COVID-19 pandemic. Hospitals will face uncertainty moving forward as demand for healthcare services may not be met with supply given current workforce shortages that are projected to get worse over time. Therefore, we urge CMS to finalize this policy in a non-budget neutral manner. Doing so not only reflects the current financial reality of hospitals, but also aligns with the purpose of the 5% cap, which is to increase predictability of IRF PPS payments and mitigate instability and significant negative impacts to providers resulting from significant changes to wage index.

IRF Teaching Status Adjustment Policy

IHA supports CMS' proposal to codify existing teaching status adjustment policies and update the IRF teaching policy to better align with Inpatient Prospective Payment System (IPPS) policies. We agree that codifying longstanding policies will make it easier for IRF providers to locate pertinent information as they oversee and build their teaching programs.

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[2] https://www.usinflationcalculator.com/inflation/current-inflation-rates/#:~:text=The%20annual%20inflation%20rate%20for,10%20at%208%3A30%20a.m.

[3] https://www.mckinsey.com/industries/healthcare-systems-and-services/our-insights/assessing-the-lingering-impact-of-covid-19-on-the-nursing-workforce

Additionally, aligning IRF teaching policies with IPPS policies to the extent feasible will provide a more seamless process for teaching hospitals, particularly those that are monitoring several teaching programs. We particularly appreciate CMS' proposals to link the status of displaced residents to the day that an IRF or residency program closure is publicly announced and remove the link between the status of displaced residents and their presence at the closing IRF or residency program on the day prior to or the day of the closure. Both of these proposals will provide more flexibility and ease navigation of a complex system for IRF residents.

IRF QRP

IHA understands CMS' reasoning for expanding the IRF Patient Assessment Instrument (IRF-PAI) to all patients regardless of payer. That said, we are concerned about the timing of this expansion, as there are several data elements being added to the IRF-PAI this October. Specifically, IRFs will be required to implement and report on the Transfer of Health (TOH) Information to the Provider Post-Acute Care (PAC), TOH Information to the Patient PAC, and COVID-19 Vaccination Coverage among Healthcare Personnel (HCP) measures. Given these additions, we ask CMS to delay expanding reporting requirements for the IRF-PAI to all patients until IRF providers have had time to ensure compliance reporting these additional measures. While these new measures may not appear overly burdensome, adding 1.8 hours of additional clinical staff time to report data for each additional IRF-PAI completed culminates in substantial additional burden. Additionally, CMS' estimate of an average annual cost to IRFs of $28,505 would be easier to absorb once the pandemic is truly endemic. As it stands today, we continue to experience surges in COVID infections that will make compliance with this expanded reporting requirement challenging.

Director Brooks-LaSure, thank you again for the opportunity to comment on this proposed rule.

Sincerely,

A.J. Wilhelmi
President & CEO
Illinois Health and Hospital Association