Figuring Out the Codes: Inpatient Rehabilitation Facilities and the Transfer Policy

Inpatient rehabilitation facilities (IRFs) are hospitals (or subunits of a hospital) that offer intensive rehabilitation services to the inpatient population. The Centers for Medicare & Medicaid Services (CMS) reimburses IRFs according to the patient discharge status code indicated on the claim. Claims with a patient status code indicating that a beneficiary was discharged to a home will receive a higher repayment (i.e. full federal prospective payment) then claims that demonstrate that a patient was transferred to another IRF, long-term care hospital (LTCH), acute care inpatient hospital, or nursing home (i.e. adjusted federal prospective payment resulting in a per diem payment). The Department of Health and Human Services Office of Inspector General (OIG) continues to be concerned regarding IRFs' compliance with the transfer policy under the Code of Federal Regulations (CFR) 42 section 412.602. Previous audits conducted by the OIG resulted in an estimated $12 million in overpayments. Therefore, the OIG is gravely concerned about "the extent to which coding errors for claims that should have been paid as transfers have resulted in [IRFs submitting] improper claims under the Medicare payment system for inpatient rehabilitation facilities." The submission of improper claims results in not only excessive and unnecessary payments to IRFs but also has a negative impact on the federal health programs and beneficiaries.

IRF Transfer Policy

When a patient is admitted to an IRF, the patient is assigned one of 100 clinically distinct case mixed groups (CMGs). A CMG "categorize[s] patients according to primary diagnosis, functional level and age… which are weighted to account for variance in the resources used." Each CMG has a specified prospective payment rate which is determined by CMS and used to calculate the prospective payment. In addition, each CMG has an average length of stay (LOS). The average LOS is one component used to determine if a beneficiary's stay qualifies as a transfer.

There are two criteria that must be fulfilled for a beneficiary's stay to qualify as a transfer:

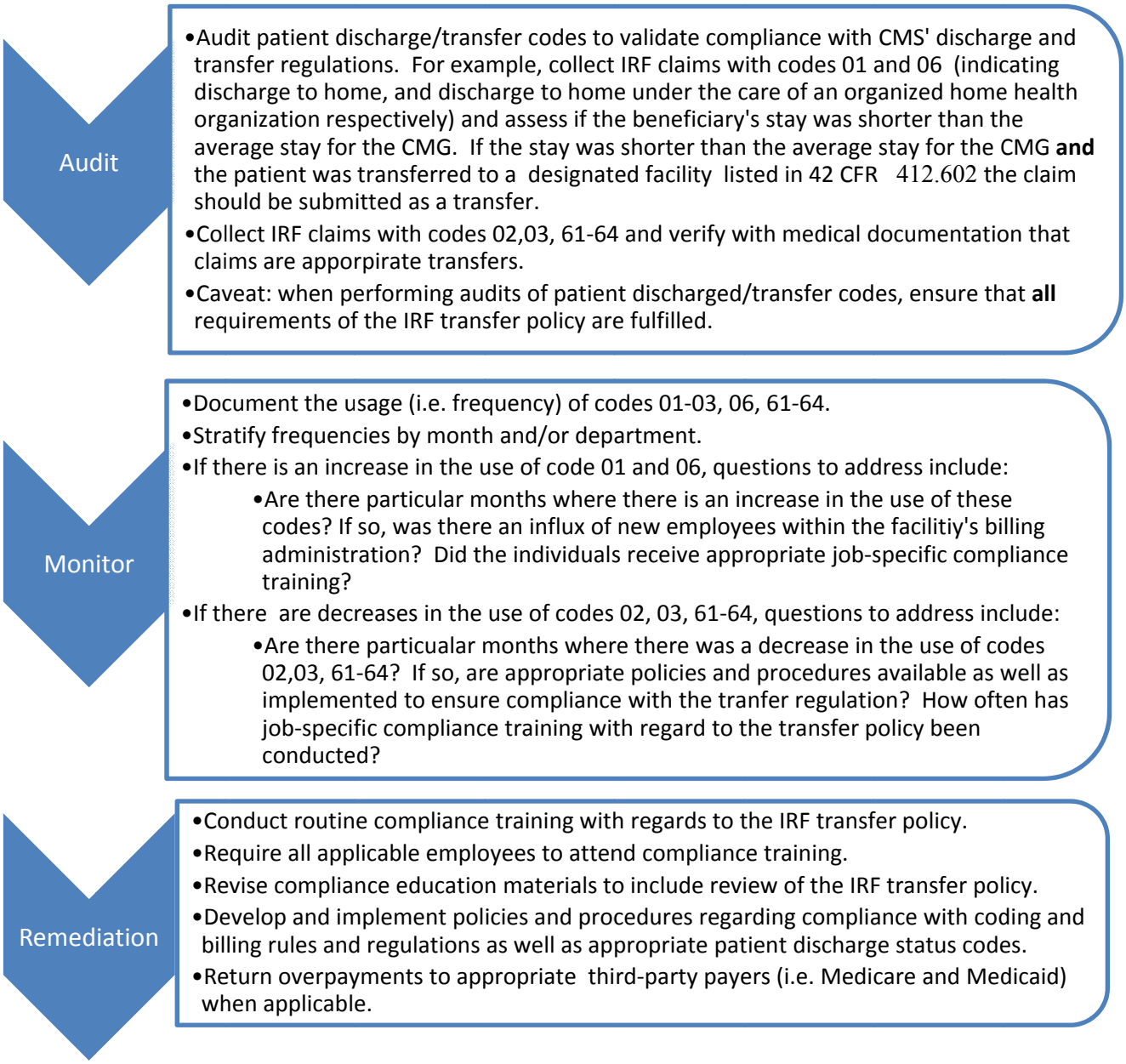
- First, the beneficiary's IRF stay must be shorter than the average stay for a CMG; and
- Second, the beneficiary must be transferred to another IRF, LTCH, acute-care inpatient hospital or a nursing home facility accepting Medicare or Medicaid payment.

The OIG and CMS have recognized non-compliance among IRFs regarding the transfer policy regulation. According to the OIG's Work Plan for fiscal year 2009, the OIG intends to continue to audit IRF claims to determine the scope of coding errors related to the transfer policy. More specifically, the OIG will evaluate the incorrect use of discharge status codes with regards to the transfer policy. Thus, IRFs are at risk of being identified as non-compliant and are encouraged to strategize and remediate coding errors.

Complying with the IRF Transfer Policy

As indicated above, a vital component in computing CMS' reimbursement rate is the patient discharge status code. A patient discharge status code is defined as "a two-digit code that identifies where the patient is at the conclusion of a health care facility encounter…or at the time end of a billing cycle." Discharge status codes are required for hospital inpatient claims including IRFs. Thus, to comply with the IRF transfer policy, the IRF must select the appropriate discharge status code. Failure to submit the appropriate code can result in denial of claims, delayed payments, or even return of reimbursement. The following diagram will assist IRFs in complying with the IRF transfer policy.

Diagram 1: Complying with CMS' IRF Transfer Policy



Frequently Asked Questions

What patient discharge codes are affected by the IRF Transfer policy?

Table 1 summarizes the patient discharge status codes that should be submitted for transfers.

Table 1: Patient Applicable Discharge Status Codes under the IRF Transfer Policy

Patient is transferred to:	Patient Status Code
Acute-care inpatient hospital	02
Skilled Nursing Facility	03
Hospital with an approved swing bed	61
Another IRF	62
LTCH	63
Medicaid-only nursing facility	64

A potential coding error may occur with discharge status code 64. Nursing facilities have the option to certify a portion or all the facility's beds under Medicare. If a patient is transferred to a nursing facility "that has no Medicare certified beds, [code 64] is used." However, if the nursing facility is Medicare certified, the "provider should use patient discharge status code 03 or 04 [discharged or transferred to an Intermediate Care Facility] depending on the level of care the patient is receiving and whether the bed is Medicare certified."

What discharge status code should be used for a transfer to a SNF with a rehabilitation unit?

Since the rehabilitation unit is a part of the SNF, the SNF will be paid under the SNF prospective payment system. Furthermore, "moving a patient from one unit to another does not constitute a transfer for billing purposes and should not result in separate claims. Therefore, if a patient is transferred from an IRF to a SNF that participates in Medicare and/or Medicaid, the discharge status code used is code 03.

Overall, IRFs should be cautious in submitting discharge and transfer claims. Identifying the appropriate patient discharge status code can be confusing; however, IRFs are encouraged to seek their regional Medicare Fiscal Intermediaries for clarification.

References

- CMS, Inpatient Rehabilitation Facility (IRF) annual Update: Prospective Payment System Pricer Changes for FY 2009, Trans. 1585, CR 6166 (September 5, 2008).
- CMS, Clarification on Patient Discharge Status Codes and Hospital Transfer Policies, MLN. SE0801 (January 23, 2008).
- The Office of Inspector General Work Plan for Fiscal Year 2009
- The Office of Inspector General "Nationwide Review of Inpatient Rehabilitation Facility Claims Coded as 'Discharged to Home with Home Health Agency Services,'" November 2006.
- The Office of Inspector General "Nationwide Review of Inpatient Rehabilitation Facilities' Compliance With Medicare's Transfer Regulation," September 2006