

Select Medical: Key Points About Our LTAC Hospitals & The Industry

1	Introduction
2	Physician Staffing in LTAC Hospitals
3	An Extensive Commitment to Quality
4	Federal Regulation of LTAC Hospitals
5	Patient Selection for LTAC Hospital Admission
6	LTAC Hospital Profit Margins
7	Certification Criteria for LTAC Hospitals

#1

Introduction

Recently, an article was published by the *New York Times* entitled “Long-Term Care Hospitals Face Little Scrutiny.” It painted a misleading and inaccurate picture of the care provided by Select Medical’s long-term acute care (LTAC) hospitals and the nation’s LTAC hospital community. The following material is intended to correct or clarify many statements made in the article.

- In 13 years of operating hospitals that care for critically ill and medically complex patients, Select Medical has a demonstrated record of regulatory compliance and excellent patient outcomes. During the last three years alone, Select had admitted almost 100,000 patients for more than 2.6 million patient days in our 90-plus LTAC hospitals.
- In our 13-year history, Select has never had a hospital decertified by Medicare. The condition level deficiencies cited in the article do not reflect Select’s typical survey outcomes. In 2009 alone, our hospitals successfully underwent 96 federal and state inspections, and received full accreditation in every one of the 21 Joint Commission reviews conducted.
- As an organization that is patient-focused, we strive to provide high-quality care to a high-acuity patient population in an environment focused on safety, compassion, healing and recovery. The best testament to our care are the many patients, who overcame serious and life-threatening conditions in our Select hospitals, and are now leading productive and fulfilling lives. When any issues are identified, we immediately address and rectify the underlying cause.

#2

Physician Staffing in LTAC Hospitals

- LTAC hospitals use the same physician-hospital staffing practices used by most general hospitals. Most physicians in American hospitals are not directly employed by the hospitals but instead have staff privileges at one or more hospitals. Most hospitals have dozens (or hundreds) of physicians on staff depending on the size and scope of the hospital.
- Every Select LTAC hospital has physicians on staff. This is a requirement to be licensed as a hospital. Each of Select's LTAC hospitals has a formally organized medical staff that is comprised of physicians who have gone through the credentialing process and have been approved by the hospital's Governing Board. The medical staff is organized to meet all of the requirements set forth by the state in which the hospital is located, the Centers for Medicare & Medicaid Services (CMS) and The Joint Commission. These requirements apply equally to LTAC hospitals as well as general acute care hospitals.
- Additionally, general acute care hospitals, as well as LTAC hospitals, have on-call arrangements with physicians. In the event a patient's attending physician is not in the hospital at the time an emergent medical situation arises, Select's LTAC hospitals have multiple structures to ensure a physician is available to care for patients. These arrangements comply with CMS's Conditions of Participation, which require all hospitals to have a physician on duty or on-call at all times.

#3

An Extensive Commitment to Quality

- The Quality and Clinical process for all Select hospitals is under the direction of the Senior Vice President of Clinical and Quality Outcomes. Responsibilities include regulatory compliance, clinical education, clinical program development, quality, safety, and infection control. In addition, Select's LTAC hospitals are supported by an experienced team of clinical and quality experts. This clinical team has authority and responsibility for assigned hospitals and clinical quality areas. At each hospital, we have a full-time quality manager who monitors and improves quality and ensures regulatory compliance.
- Quality outcomes (including patient satisfaction) at Select hospitals are collected and analyzed by Thomson Reuters. The selected ORYX Indicators are then transmitted to The Joint Commission. In addition, nine core indicators are benchmarked against all hospitals participating in the database. Infection control data is reported to National Healthcare Safety Network (NHSN), which is the reporting arm of the Centers for Disease Control and Prevention. As of December 2009, the first LTAC hospital-specific acquired infections and device days benchmarks were published by NHSN in the *American Journal of Infection Control*. Select has already begun to use these for comparative purposes.
- The largest and most recognizable subset of Select's patient population is the persistent mechanical ventilation patient. These are patients who have failed multiple weaning trials in the general acute care ICU. Select successfully weans almost three-quarters of these patients on average. Additionally, our ventilator-associated pneumonia rates are lower than the NHSN database benchmark. Both of these outcomes are indicators of excellent care.
- Patient outcomes serve as one important set of measures regarding the quality of our care and services. Similarly, the satisfaction of our patients is a key indicator of how well we meet their needs and individual goals. In an effort to continually exceed patient expectations, Select voluntarily and proactively adopted a CMS patient satisfaction survey, one in which all general acute care hospitals are required to participate.
- The mortality rate in Select hospitals averages about 12%. CMS reports a 12% to 17% expected mortality rate for acute myocardial infarction, pneumonia and heart failure patients. The mortality rates in our LTAC hospitals are not beyond the expected given the complexity of the disease processes our patients have.

#4

Federal Regulation of LTAC Hospitals

- The Medicare program has been aggressive in monitoring LTAC hospitals, using all of the same medical review processes that Medicare uses to monitor all other health care facilities, including on-site surveys and intensive audits of medical records by multiple types of contractors. LTAC hospitals are held to the same standards or conditions of participation as general hospitals in order to care for Medicare beneficiaries.
- There are three levels of regulatory review for all hospitals, including LTAC hospitals.
 - TJC: All of our hospitals are accredited and surveyed for compliance by The Joint Commission (TJC).
 - CMS Certification: All of our hospitals are certified by CMS to care for Medicare and Medicaid patients. Many are certified as a result of Joint Commission Accreditation. This is called “deemed status.” Some are certified by a CMS survey, usually conducted by the State Department of Health on behalf of CMS.
 - State Licensure Surveys: Many LTAC hospitals are licensed by state regulatory authorities and inspected for compliance with state standards.
- As stated earlier in this document, in 2009 alone, Select’s LTAC hospitals underwent 96 federal and state inspections. In addition, Select’s LTAC hospitals received full accreditation in every one of our 21 Joint Commission reviews conducted in 2009. In fact, in 13 years of operating LTAC hospitals, Select never had a hospital decertified by Medicare.

#5

Patient Selection for LTACH Admission

- Federal law requires that LTAC hospitals screen patients for admission appropriateness, based on the need for an LTAC hospital level of care. Most LTAC hospitals, including those operated by Select, use widely accepted screening criteria designed to identify patients who are appropriate for care in an LTAC hospital. Patients who do not need a hospital level of care and can be treated in lower acuity settings, such as skilled nursing facilities (SNFs), are not admitted.
- LTAC hospitals are subject to review from at least five types of varied Medicare contractors who evaluate the hospital's medical necessity of admissions, diagnosis-related group ("DRG") validation, procedure coding, quality of care concerns, and beneficiary discharge appeals.
- CMS aggressively conducts retrospective audits of LTAC hospital cases to ensure that appropriate patients are admitted to LTAC hospitals. Since 2004, Medicare contractors have reviewed 2,553 medical records from Select's LTAC hospitals. They found that over 99% of patients treated at a Select hospital were medically appropriate for admission into one of our LTAC hospitals and received appropriate medical care while there.
- Medicare has contracted with an independent agency, Wisconsin Physician Services (WPS), for the past two years to specifically conduct an LTAC hospital demonstration project for medical necessity reviews on 2,100 LTAC care hospital claims each year. Select annually provides approximately 400 of the patient records reviewed by WPS. These reviews look for those patients who could have been treated in a lower level of care. Select's internal statistics show that over the two-year period, 804 Select records have been reviewed by WPS. After the appeal process has been completed, the final determination was greater than 99% of the medical records reviewed were medically appropriate for the LTAC hospital level of care.

#6

LTAC Hospital Profit Margins

- As the Medicare Payment Advisory Commission (MedPAC) reports confirm, LTAC hospital margins have fluctuated greatly in the past five years. This instability makes it difficult to provide care to the patient population that Medicare asks LTAC hospitals to serve.
- In January 2010, MedPAC found LTAC hospitals' Medicare margins to be 3.4% in 2008, and one of the lowest for post-acute facilities:
 - Skilled Nursing Facilities (SNFs) 2008: 16%
 - Inpatient Rehabilitation Facilities (IRFs) 2008: 9.5%
 - LTAC Hospitals 2008: 3.4%
- If some LTAC hospitals' costs are higher than average, it is inextricably linked to the fact that our patients are sicker than average. Our patient population stays in our hospitals far longer than general hospitals (25 days for LTAC hospitals versus five days on average for general hospitals).
- A recent analysis of government MEDPAR and cost report data shows that mean aggregate per patient day costs in for-profit LTAC hospitals (\$1,199.26) are not materially different from per patient day costs in non-profit LTAC hospitals (\$1,195.80).

#7

Certification Criteria for LTAC Hospitals

- Since 2005, Select and other LTAC hospital organizations have urged CMS and Congress to adopt new federal standards -- known as “certification criteria”-- to better define and limit the types of patients who can be treated in an LTAC hospital.
- In 2005, Select’s President & COO Patricia Rice, R.N., MSN, testified before Congress, that “patients should be cared and paid for in the most appropriate post-acute setting. That is, a patient who can be safely and effectively cared for in another less-intensive setting should not be treated in an LTAC hospital.”
- In 2006, Select supported legislation which would have specifically limited LTAC hospitals to certain types of medically complex patients. (See 110th U.S. Congress, S. 338 and H.R. 562.)