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Unclear Medicare Requirements Led to Differing Interpretations of Inpatient Rehabilitation Facility Documentation, Coverage, and Billing Requirements

Why OIG Did This Audit

- A prior OIG nationwide review of inpatient rehabilitation facilities (IRFs) found that many IRF stays did not meet Medicare coverage and documentation requirements. The audit found that Medicare paid IRFs \$5.7 billion (84 percent of the dollars covered by our audit) for care provided to enrollees that was not reasonable and necessary.
- After considering IRF stakeholders' concerns about the prior audit and, given the high dollar value of IRF claims and the previously identified error rate, OIG developed a one-time, collaborative approach with [CMS](#) and IRF stakeholders to determine the root causes of the varying interpretations of IRF regulations by OIG, IRF stakeholders, and CMS.

What OIG Found

- We determined that unclear Medicare requirements led to differing interpretations between OIG, IRF stakeholders, and CMS related to documentation, coverage, and billing requirements. Because these requirements are unclear, OIG, IRF stakeholders, and CMS had differing opinions on the allowability of the sampled claims, which raises concerns about increased risk of financial loss to the program, compromised program integrity, and operational inefficiency in the Medicare program.
- Our independent medical reviewer determined that 42 of 200 sampled IRF claims complied with Medicare requirements. However, the remaining 158 claims lacked documentation supporting that IRF care was in accordance with requirements.
- IRF stakeholders reviewed these 158 claims and reported an error rate in “the high teens to low twenties.” They shared their rationale for 19 claims they determined to be in compliance with Medicare requirements. CMS reviewed those 19 claims and found that 14 met Medicare requirements and 5 did not.

What OIG Recommends

We made four recommendations to CMS, including that it revise or clarify IRF documentation, coverage, and billing requirements, and offer training and learning sessions to IRFs to assist in compliance with regulations. The full recommendations are in the report.

CMS did not concur with three of our recommendations and concurred with our remaining recommendation.