Paying for sequential stays in a unified payment system for post-acute care

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MEDPAC

Design of the unified payment system for post-acute care

- Unit of service = a stay (or home health episode)
- Each stay is considered an independent event
- Payments based on the average cost of stays, with a large adjustment for home health stays to reflect their much lower costs
- Risk-adjustment includes beneficiary and stay characteristics
- Design should include short-stay and high-cost outlier policies
- Assessment of feasibility and impacts was based on 8.9 million PAC stays in 2013

Commission's recommendations on unified PAC PPS

- PPS could establish accurate and unbiased payments
  - Recommendation in 2016: PPS design features
- PAC PPS could be implemented sooner than contemplated in IMPACT Act
  - Recommendation in 2017: Begin implementation in 2021
- Aggregate level of Medicare payments for PAC is high
  - Recommendation in 2017: Lower payments by 5%
- Increase the equity of PAC payments before PAC PPS is implemented
  - Recommendation in 2018: Blend the current setting-specific relative weights and PAC PPS relative weights to correct biases in current payment systems

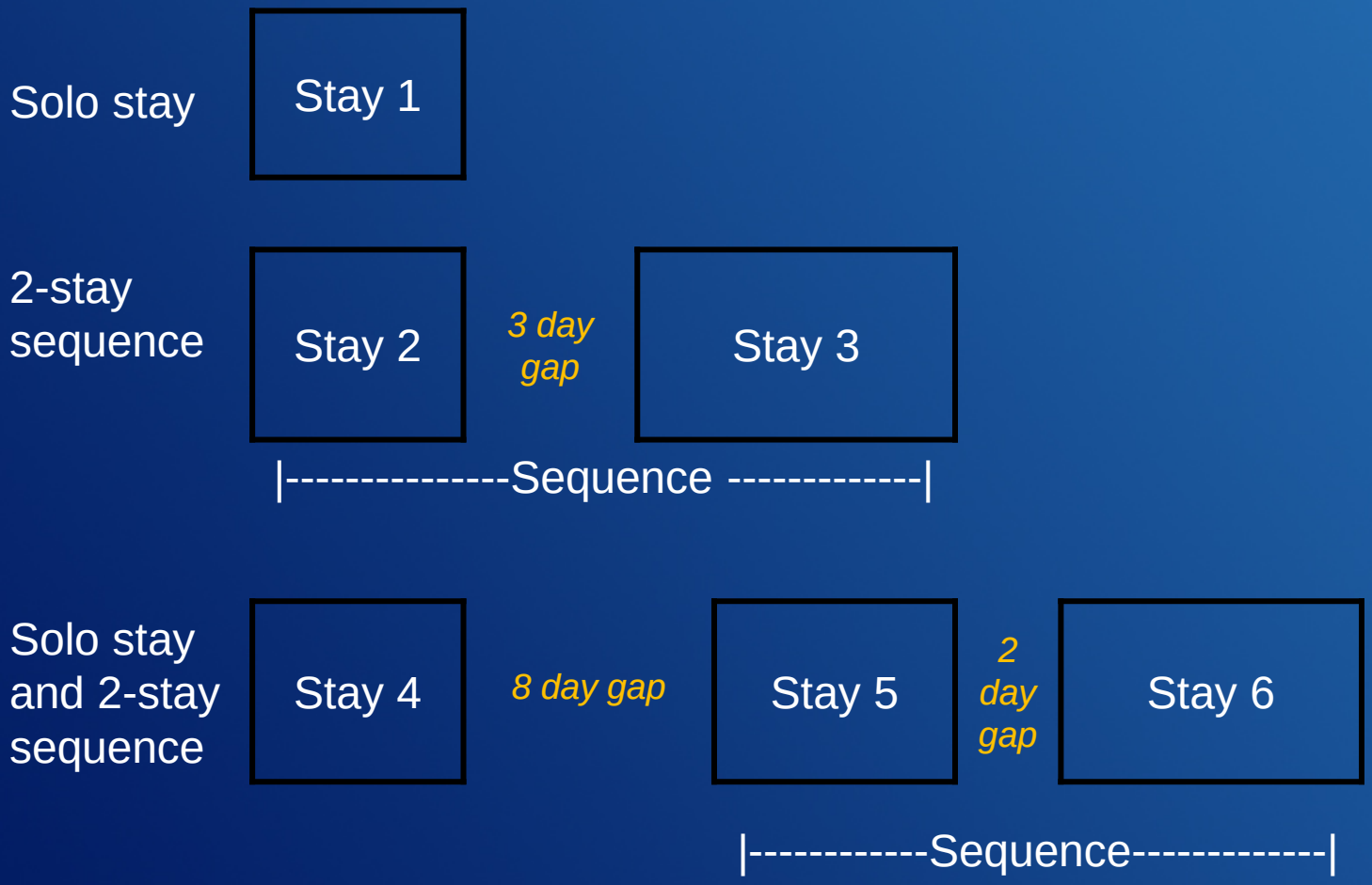
Issues with sequential PAC stays

- Payments should track the cost of each stay in a sequence of care
  - Over the course of care, a beneficiary's care needs are likely to change. Initial stays may have different average costs compared with later stays
  - If payments are not accurate, providers may base their care on financial reasons rather than on what is best for the beneficiary
- As regulations are aligned, some providers may opt to treat patients over a continuum of care
  - How do we ensure providers are accurately paid for each phase of care without inducing volume?

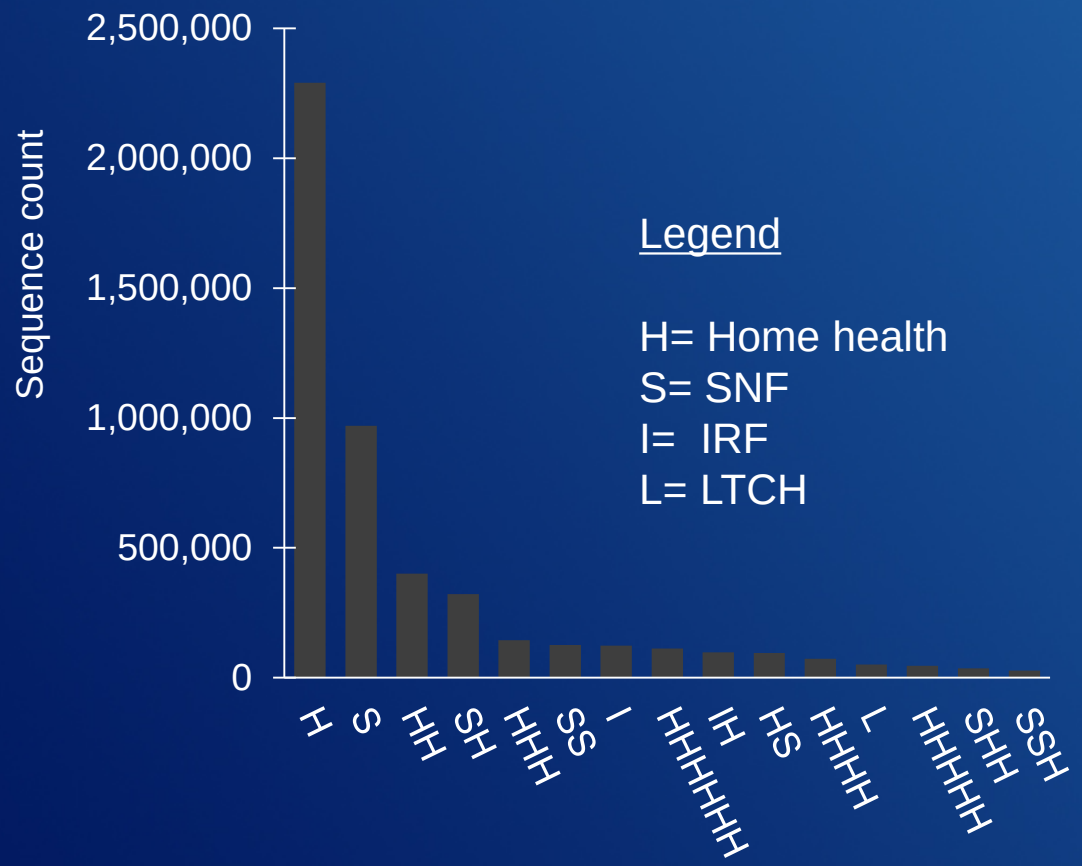
Definition of sequential stays

- Sequential stay= PAC stay within 7 days of a previous PAC stay
- 8.9 million PAC stays in 2013 ➡ 5.3 million sequences
  - 3.4 million solo stays (64%)
  - 1.9 million multi-stay sequences (36%)
- Separate payments would be made for each stay in a sequence

Example of sequences of PAC stays



Most frequent solo and sequences of PAC stays (2013)



Composition

- Over 5,700 different combinations
- 36% are multi-stay sequences
  - Top 10 make up three-quarters of multi-stay sequences
  - Lateral stays: 50%
  - Decreasing intensity: 33%
  - Increasing intensity: 10%
  - Mixed: 7%

Data are preliminary and subject to change

Comparison of multi-stay sequences to solo stays

Compared with solo stays, home health stays in sequences

- More likely to be dual-eligible, disabled, admitted from community
- Less complex
- Less likely to be for orthopedic surgical conditions and more likely to be for cardiovascular medical conditions
- More likely to be provided by for-profit and freestanding providers

Compared with solo stays, institutional PAC stays in sequences

- Less likely to be dual-eligible, disabled, admitted from community, but shares increased with later stays
- More complex
- More likely to be for orthopedic surgical conditions
- More likely to be provided by nonprofit and hospital-based providers

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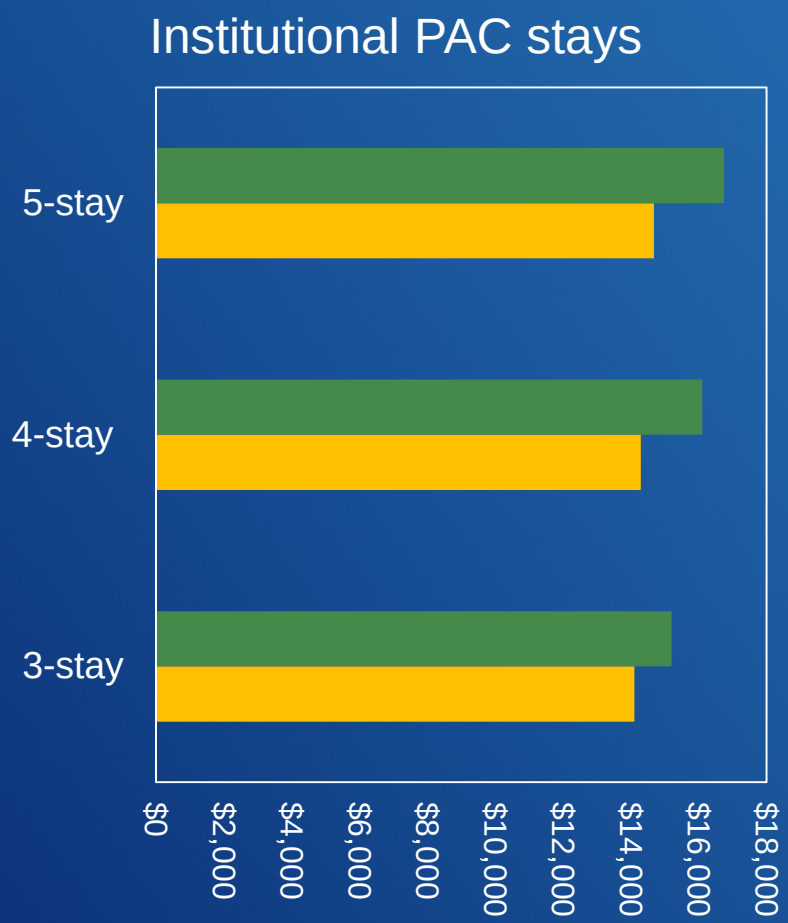
Per stay costs are lower for later stays in a sequence



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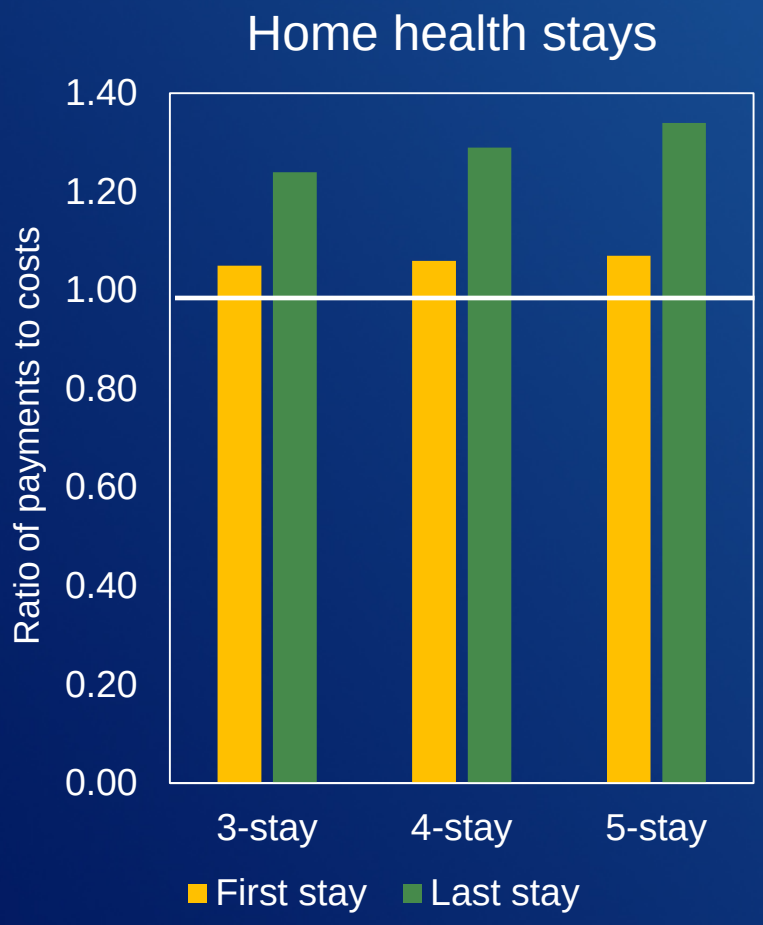
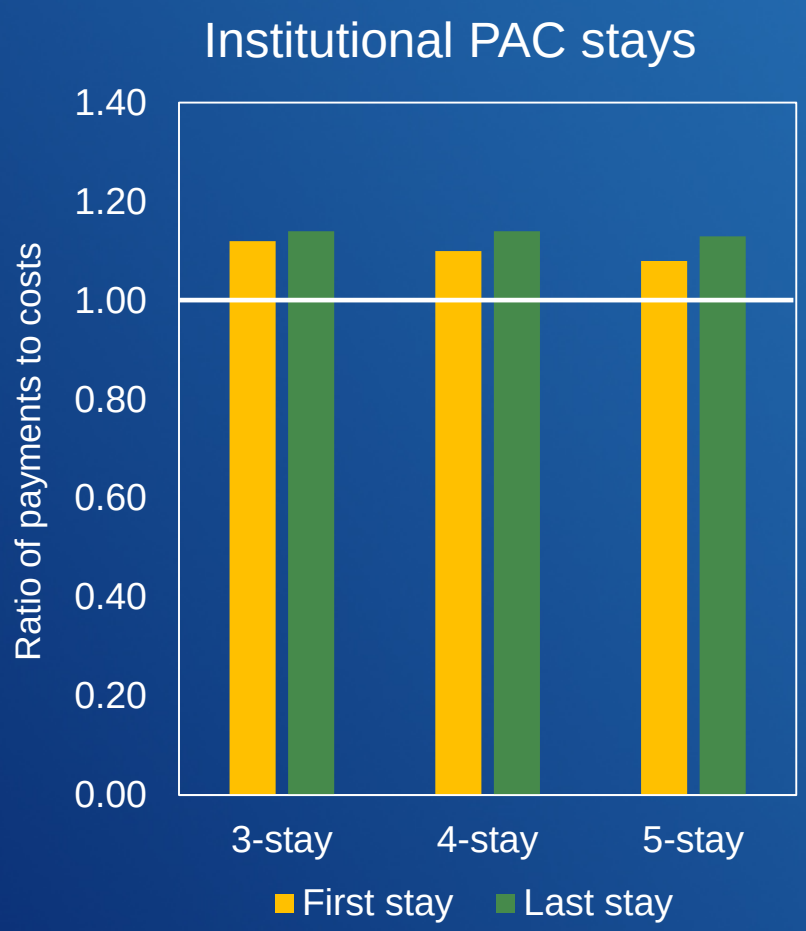
Without an adjustment, profitability under a PAC PPS would be higher for later home health stays





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Possible refinement to the PAC PPS design

- PAC PPS would establish accurate payments for most stays
  - Payments for later home health stays may need to be adjusted

Defining PAC stays when a beneficiary is "treated in place" by institutional PAC providers

- Institutional providers may opt to continue to treat beneficiaries as their care needs change
- Treating in place: Sequential institutional PAC stays that involve different levels of care
- Need a way to trigger a payment for each phase of care without encouraging unnecessary stays

Beneficiary is referred to a different provider

Beneficiary is treated in place by the same provider

Define separate stays using length of stay

- Provider receives a unified PAC PPS payment for initial stay
- Stays that reach a certain length of stay (e.g., 30 days) trigger a new assessment and a separate payment
- Pros: Easy to define, administer, and monitor
- Con: Incentive to inappropriately extend stays beyond the threshold to generate additional payments

Strategies to counter the incentive to increase subsequent PAC

- Define a stay using a long duration so that most stays are encompassed by it; partner it with a short-stay outlier policy
- Require MD attestation of continued need for care
- Implement value-based purchasing that includes a resource use measure
- Periodically evaluate the alignment of payments to the cost of stays and revise payments as needed
- Audit providers with aberrant lengths of stay and high use of subsequent PAC stays

Discussion

- Include a payment adjuster for later home health stays in the PAC PPS design
- Approaches to define stays when a patient is treated in place
- Strategies to deter unnecessary subsequent PAC stays