



Advising the Congress on Medicare issues

Improving Medicare payment for post-acute care

Carol Carter
January 16, 2020

Cross-cutting issues in the revisions to the post-acute care payment systems

Payment levels are high in SNFs, HHAs, and IRFs

- Payments need to be lowered
- Align payments with costs

Revised SNF and HHA PPSs will increase payment equity

- Monitor provider responses
- CMS may need to make future revisions
- Revisions align with a unified PAC PPS

Provider-reported patient functional assessment data may be biased

- Bias in current reporting raises payments
- Consistency and accuracy of information needs to be improved



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Assessing payment adequacy and updating payments for skilled nursing facilities

Carol Carter
January 16, 2020

Overview of the skilled nursing facility industry, 2018

Providers

About 15,000
Most also provide
long-term care

Medicare spending

\$28.5 billion

Medicare users

1.5 million
4% of FFS
beneficiaries

Medicare share of:

Facility days: 10%
Facility revenue: 18%

Summary: SNF payment adequacy indicators are positive

Beneficiaries' access to care	Quality of care	SNFs' access to capital	Medicare payments and SNFs' costs
<ul style="list-style-type: none">➤ Stable supply➤ Volume declines parallel reductions in hospital stays➤ High marginal profit (18%)	<ul style="list-style-type: none">➤ Improvements in discharge to community and readmission rates	<ul style="list-style-type: none">➤ Adequate access to capital➤ Low total margins (-0.3%) reflect lower payments from other payers	<ul style="list-style-type: none">➤ In 2018, Medicare margins declined but remain high (10.3%)➤ Efficient provider margins very high (16.9%)➤ Projected margin will remain high (10%) in 2020
Positive	Positive	Positive	Positive



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Assessing payment adequacy and updating payments: Home health care services

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Overview of the home health care industry, 2018

- \$17.9 billion total Medicare expenditures (FFS)
- Over 11,500 agencies
- 6.3 million episodes for 3.4 million FFS Medicare beneficiaries

Summary: Home health payment adequacy indicators are positive

Beneficiaries' access to care	Quality of care	Access to capital	Medicare payments and HHA costs
<ul style="list-style-type: none">➤ 98 percent live in a ZIP code with at least one HHA available➤ Episode volume slightly decreased➤ Positive marginal profits	<ul style="list-style-type: none">➤ Functional quality measures improved➤ Adverse event rates no significant change	<ul style="list-style-type: none">➤ Positive all-payer profit margins➤ Large for-profits continue to expand and acquire new businesses	<ul style="list-style-type: none">➤ 15.3 percent Medicare margin in 2018 (efficient provider over 23 percent)➤ Projected margin estimated to increase in 2020 (17.0 percent)
Positive	Positive	Positive	Positive



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Assessing payment adequacy and updating payments: Inpatient rehabilitation facility services

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Overview of the inpatient rehabilitation facility industry, 2018

- 1,170 IRFs
- 75% are hospital-based but freestanding IRFs accounted for half of Medicare discharges
- 408,000 stays for 364,000 beneficiaries
- \$8.0 billion total Medicare expenditures (FFS)
- Medicare accounted for:
 - 59% of IRFs' discharges
 - Average length of stay in an IRF was 12.7 days

Summary: IRF payment adequacy indicators are positive

Beneficiaries' access to care	Quality of care	IRFs' access to capital	Medicare payments and IRFs' costs
<ul style="list-style-type: none">➤ Capacity appears more than adequate to meet demand➤ Increase in volume➤ High marginal profit	<ul style="list-style-type: none">➤ Risk-adjusted outcome measures have improved slightly over time	<ul style="list-style-type: none">➤ IRFs maintain good access to capital markets➤ The all-payer margin for freestanding IRFs is a robust 10.7 percent	<ul style="list-style-type: none">➤ In 2018, the aggregate Medicare margin was 14.7 percent➤ We project a margin of 12.7 percent in 2020
Positive	Positive	Positive	Positive



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Assessing payment adequacy and updating payments: Long-term care hospitals

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January 16, 2020

Overview of the long-term care hospital industry, 2018

Totals

of LTCHs: 374

Medicare spending:
\$4.2 billion

Cases: ~102,000

Mean payment per case

All cases: ~\$40,000

Cases meeting LTCH
PPS criteria: ~\$47,000

Summary: LTCH payment adequacy indicators are positive or as expected given changes in payment structure

Beneficiaries' access to care	Quality of care	Hospitals' access to capital	Medicare payments and LTCHs' costs
<ul style="list-style-type: none">➤ Share of cases meeting criteria increased➤ Supply decreased➤ Occupancy decreased slightly➤ Marginal profit increased	<ul style="list-style-type: none">➤ No change in readmission and mortality rates➤ Infection rates lower than expected	<ul style="list-style-type: none">➤ Industry contraction reduced the need for capital➤ All-payer margin increased	<ul style="list-style-type: none">➤ Medicare margin for LTCHs with a high share of cases meeting the LTCH PPS criteria increased to 4.7 percent in 2018➤ Projected 2020 margin: 3.7 percent
Mixed, as expected given changes in payment structure	Positive	Mixed, as expected given changes in payment structure	Positive