Assessing payment adequacy and updating payments:
Ambulatory surgical center services
Outpatient dialysis services
Hospice services

January 14, 2021
Assessing payment adequacy and updating payments: Ambulatory surgical center services

Dan Zabinski
January 14, 2021
Overview of ambulatory surgical centers (ASCs) in 2019

- **Medicare FFS payments:** $5.2 billion
- **Beneficiaries:** 3.5 million served
- **Number of ASCs:** ~ 5,800
- **Current law update:** 2.4% in 2021

Data preliminary and subject to change.
Indicators of payment adequacy are positive

- Access to ASC services increased in 2019:
  - Volume per beneficiary increased 2.7%
  - FFS beneficiaries served increased 0.9%
  - Number of ASCs increased 2.5%
- Medicare payments per beneficiary increased 8.3%
- Access to capital: Adequate
- Lack of cost data limits analysis; Commission has recommended that ASCs be required to submit cost data

Data preliminary and subject to change.
Assessing payment adequacy and updating payments: Outpatient dialysis services

Nancy Ray and Andy Johnson
January 14, 2021
Overview of outpatient dialysis services, 2019

- Outpatient dialysis services used to treat individuals with end-stage renal disease (ESRD)
- FFS beneficiaries: About 395,000
- Providers: About 7,700 dialysis facilities
- Medicare FFS dialysis spending: $12.9 billion

Source: MedPAC analysis of 100 percent claims submitted to dialysis facilities to CMS and CMS’s Dialysis Compare files. Data are preliminary and subject to change.
Follow-up from December meeting: Sources of supplemental coverage for FFS beneficiaries, 2019

<table>
<thead>
<tr>
<th>Source of supplemental coverage</th>
<th>Share of dialysis beneficiaries</th>
<th>Share of non-dialysis beneficiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicaid</td>
<td>46%</td>
<td>18%</td>
</tr>
<tr>
<td>Other sources</td>
<td>30</td>
<td>58</td>
</tr>
<tr>
<td>None</td>
<td>24</td>
<td>24</td>
</tr>
</tbody>
</table>

Note: Other sources includes Medigap, employer-sponsored insurance, and Tricare.
Source: MedPAC analysis of CMS’s enrollment files.
Data are preliminary and subject to change.
### Summary: Outpatient dialysis payment adequacy indicators generally positive

<table>
<thead>
<tr>
<th>Beneficiaries’ access to care</th>
<th>Quality of care</th>
<th>Access to capital</th>
<th>Medicare payments and providers’ costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Growth in provider supply and capacity</td>
<td>• Increase in home dialysis use</td>
<td>• Continued entry of for-profits</td>
<td>• 2019 Medicare margin: 8.4%</td>
</tr>
<tr>
<td>• Volume is steady</td>
<td>• Mortality and readmission rates steady</td>
<td>• Sector viewed favorably by investors</td>
<td>• 2021 Medicare projected margin: 4%</td>
</tr>
<tr>
<td>• Positive marginal profit (25%)</td>
<td></td>
<td>• All payer margin: 18%</td>
<td></td>
</tr>
</tbody>
</table>

- Positive
- Stable
- Positive
- Positive
Assessing payment adequacy and updating payments: Hospice services

Kim Neuman
January 14, 2021
Overview of Medicare hospice services, 2019

- Hospice use:
  - Over 1.6 million beneficiaries
  - Over 51% of decedents
- Providers: Over 4,800
- Medicare payments: $20.9 billion

Note: Data are preliminary and subject to change.
## Summary: Hospice payment adequacy indicators generally positive

<table>
<thead>
<tr>
<th>Beneficiaries’ access to care</th>
<th>Quality of care</th>
<th>Hospices’ access to capital</th>
<th>Medicare payments and hospices’ costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Growth in provider supply</td>
<td>• Process measures topped out</td>
<td>• Continued entry of for-profits</td>
<td>• 2018 Medicare margin: 12.4%</td>
</tr>
<tr>
<td>• Growth in volume (use rates, ALOS)</td>
<td>• Visits at end-of-life up slightly</td>
<td>• Sector viewed favorably by investors</td>
<td>• 2021 projected margin: 13%</td>
</tr>
<tr>
<td>• Positive marginal profits (16%)</td>
<td>• CAHPS stable</td>
<td>• OIG identified subgroup of poor performers</td>
<td></td>
</tr>
<tr>
<td>Positive</td>
<td>Positive</td>
<td>Positive</td>
<td>Positive</td>
</tr>
</tbody>
</table>

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**Note:** ALOS (average length of stay). CAHPS (Consumer Assessment of Healthcare Providers and Systems). OIG (Office of Inspector General). Data are preliminary and subject to change.
Hospice aggregate cap

- Cap limits aggregate payments a hospice provider can receive annually ($30,684 in FY 2021 irrespective of geography)
- Hospices that exceed the cap have long lengths of stay and high margins
  - In 2018, 16.3% of hospices exceeded the cap. Their margin was 21.8% before, and 10.1% after, return of cap overage
- In lieu of an across-the-board payment reduction, in March 2020 the Commission recommended the cap be wage adjusted and reduced 20%
  - Would make cap more equitable across providers and focus payment reductions on providers with high margins and longest stays

Note: Data are preliminary and subject to change.
Sources: MedPAC analysis of hospice claims and Medicare beneficiary database.