

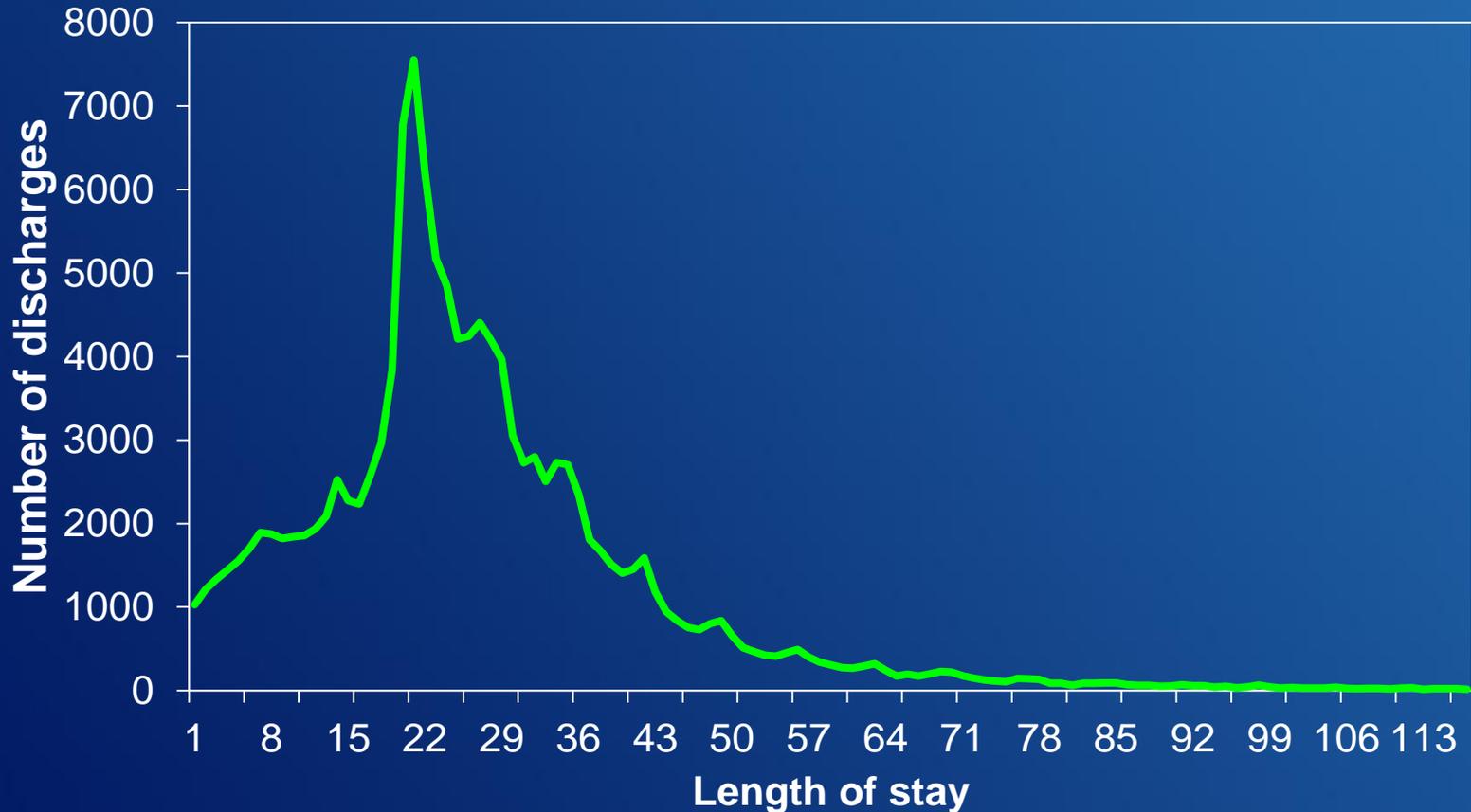
Assessing payment adequacy: Long-term care hospital services

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Long-term care hospitals, 2010

- Users: 118,300 beneficiaries
- Cases: 134,700
- Spending: \$5.2 billion
- Providers: 412
- Payment: per discharge, using MS-LTC-DRGs

Distribution of length of stay, all MS-LTC-DRGs, 2010

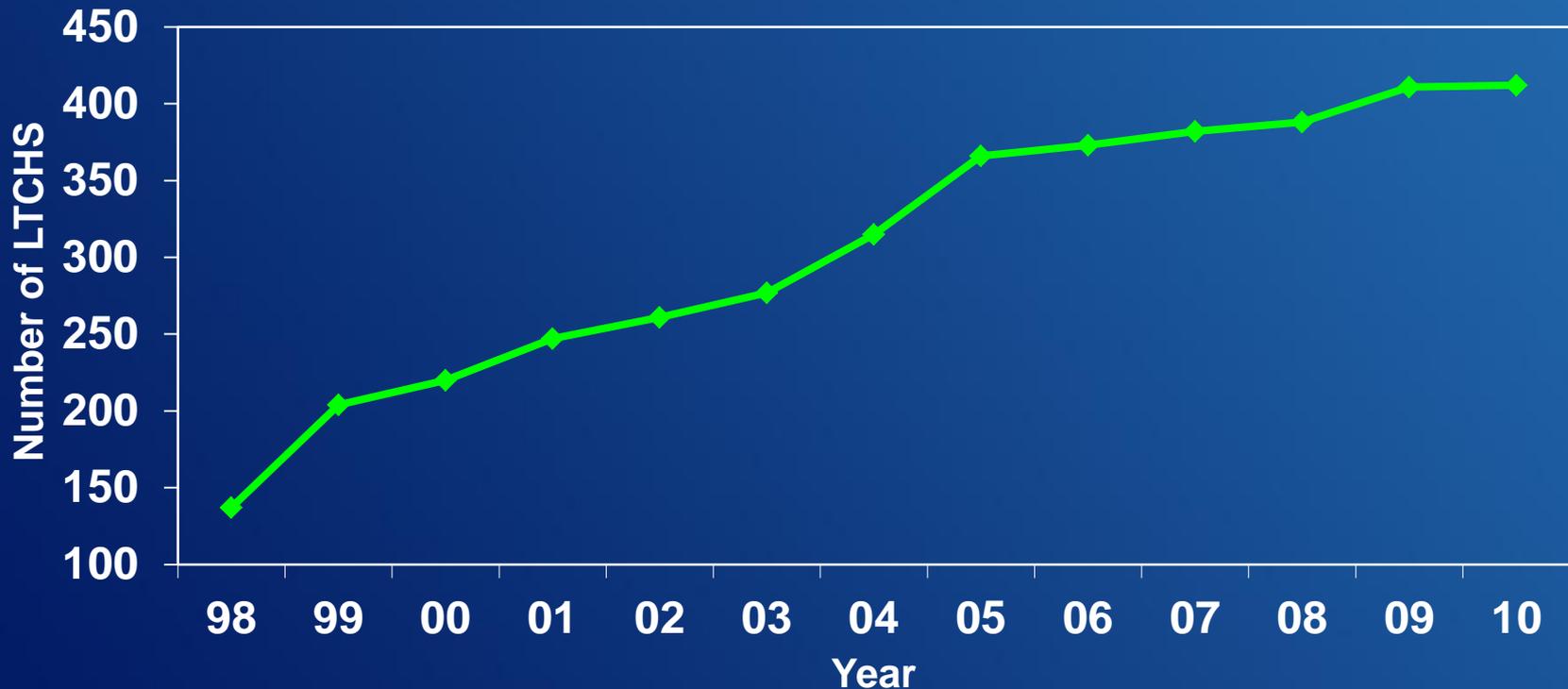


Source: MedPAC analysis of MedPAR data from CMS.

Access to care

- Change in capacity and use of services
- Difficult to assess access to LTCH services:
 - No established criteria for admission
 - Many beneficiaries live in areas without LTCHs and receive similar care elsewhere

Growth in the number of LTCHs slowed in 2010



Results are preliminary and subject to change.

Source: MedPAC analysis of cost report data from CMS.

LTCH cases per 10,000 FFS beneficiaries, 2003-2010



Quality

- LTCHs do not submit quality data to CMS
- Readmission rates and mortality rates stable or declining for most of the top diagnoses
- Mandated pay-for-reporting program beginning FY14

Access to capital

- Largest LTCH chains
 - Acquired existing LTCHs
 - Acquired other PAC providers
- Moratorium on new beds and facilities limits opportunities for expansion

LTCH Medicare margins, 2010

	% of LTCHs	% of cases	Margin
All LTCHs	100%	100%	6.4%
25 th	25	20	-2.9
75 th	25	28	14.6
Urban	93	96	6.7
Rural	7	5	-0.5
For-profit	76	84	8.0
Nonprofit	19	15	-1.2
Freestanding	62	70	5.6
HWH	38	30	8.1

Government-owned facilities' margins are not presented because the number of these facilities is very small. Percentages may not sum to 100% due to rounding. Results are preliminary and subject to change.

Policy changes for modeling 2012 margins

- 2011 update: market basket minus
 - Adjustment for coding changes
 - 0.5 percentage point (PPACA)
- 2012 update: market basket minus
 - 1.1 percentage point (PPACA)
- Increased payments due to changes in outlier payments

- Projected margin for 2012: 4.8 percent

Expected policy changes in 2013

Expiration of:

- 25% rule freeze
- very short-stay outlier payment freeze
- moratorium on new LTCHs