Mandated report: Medicare payment for ambulance services

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Presentation outline

- Framework for evaluating policy options
- Recap of mandate
- Additional analysis requested by Commissioners
  - GAO 2012 report findings
  - Example of isolated, low-volume policy
- Draft recommendations
- Discussion
Framework for evaluating policy options

- How does the recommendation impact Medicare program spending?
- Will it improve beneficiary access to care?
- Will it improve the quality of care Medicare beneficiaries receive?
- Will the recommendation advance payment reform? Does it move away from fee-for-service and encourage a more integrated delivery system?
Mandated report on Medicare payment for ambulance services

- **MedPAC directed to study:**
  - Appropriateness of temporary ambulance add-on payments
  - Effect of add-on payments on providers’ Medicare margins
  - Need to reform ambulance fee schedule, whether add-ons should be built into base rate

- **Critical dates:**
  - Report due June 15, 2013
  - Add-on payment policies in effect through December 31, 2012
## Temporary add-on payment policies

<table>
<thead>
<tr>
<th>Add-on policy</th>
<th>Payments in 2011</th>
<th>Description</th>
</tr>
</thead>
</table>
| Ground: Rural and urban          | $134M            | Rural: 3 percent increase to base rate payment and mileage rate  
Urban: 2 percent increase to base rate payment and mileage rate                                                                                                    |
| Ground: Super-rural              | $41M             | 22.6 percent increase to base rate payment                                                                                                                                                               |
| Air: Grandfathered urban areas deemed rural | $17M            | Maintains rural designation for application of rural air ambulance add-on for areas reclassified as urban by OMB in 2006                                                                                     |

Source: MedPAC analysis of CMS files

- Expire end of calendar year 2012
- Extending would increase spending relative to current law
Findings to date

- No evidence of access problems
- Growth in spending and use:
  - BLS nonemergency transports growing rapidly
  - New entrants focusing on BLS nonemergency transports
  - Growth in for-profit suppliers and entry of private equity firms
- Current add-ons not well targeted to isolated low-volume rural areas
- Temporary air ambulance add-on: transition following redesignation of areas from rural to urban in 2006. Providers have had time to adjust.
- Program integrity issues
Findings from GAO 2012 report

- 2010 median Medicare margins:
  - For survey sample; +1.7 percent with add-ons -1.0 percent without
  - Estimated range:
    - -2.3 percent to +9.3 percent with add-ons,
    - -8.4 percent to +5.3 percent without add-ons

- Regression analysis found higher cost associated with:
  - Lower volume (found about 600 transports per year threshold)
  - More emergency versus non-emergency transports
  - Higher level of government subsidy
Current add-ons not well directed to isolated, low-volume rural areas

- Most spending from the short-mileage ground add-on and super rural add-ons go to a small set of ZIP codes with large populations
- Isolated rural areas generate fewer ambulance transports
- Suppliers with a low-volume of transports have higher costs per transport
- Need better way to direct payments to isolated, low-volume rural areas
Illustrative policy for isolated, low-volume areas

- Goal: Distribute add-on to rural ZIP codes with low-density and/or population

<table>
<thead>
<tr>
<th>New policy</th>
<th>Rural ZIP codes</th>
<th>Average population</th>
<th>Total Medicare transports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Includes</td>
<td>78%</td>
<td>Less than 1,500</td>
<td>550,000</td>
</tr>
<tr>
<td>Excludes</td>
<td>22%</td>
<td>More than 12,000</td>
<td>3,000,000</td>
</tr>
</tbody>
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- New policy better targeted
- Add-on budget neutral, but would offset loss of temporary add-ons in low-volume, isolated areas—maintain access
- Size of add-on sensitive to definitions of areas, number of transports affected
Summary: Add-ons and access

- No compelling evidence to extend temporary add-on payment policies and increase spending

- Can maintain access without increasing spending:
  - Emergency services: Rebalance RVUs from basic life support (BLS) nonemergency transports to other ground transports
  - Isolated, low volume rural areas: Retarget permanent rural short-mileage add-on
Summary: Program integrity

- High growth in BLS nonemergency transports relative to other kinds of transports
- New entrants focused on BLS nonemergency transports
- Wide variation across states, particularly transports to and from dialysis facilities
- HHS Inspector General findings of inappropriate billing and prosecutions for fraud
- Suggests stronger steps needed to preserve program integrity
Discussion

- Questions on analysis to date
- Draft recommendations