

## **Preliminary information on SNF market factors**

**ISSUE:** Each year MedPAC recommends to the Congress a payment update for the coming year for skilled nursing facilities (SNFs). In addition to assessing the relationship between Medicare's current payments and facilities' costs, the Commission uses information on various market factors—such as changes in quality, entry and exit of providers, changes in volume, beneficiaries' access to care, and SNFs' access to capital—in evaluating the adequacy of Medicare's current SNF payment rates.

**KEY POINTS:** We will not be presenting SNF margin estimates at this meeting. We will, however, present preliminary information from the most recent available data on:

- entry and exit of providers,
- changes in the volume of services,
- beneficiaries' access to care,
- quality of care in SNFs, and
- SNFs' access to capital.

A substantial number of hospital-based SNFs continued to exit the Medicare program in 2003 (a trend that has occurred since implementation of the SNF prospective payment system in 1998), bringing the number of Medicare-certified hospital-based SNFs down approximately to their 1994 level. At the same time, the number of freestanding SNFs participating in the Medicare program continues to increase. Current trends in entry and exit, by type of facility, appear similar to those observed last year. Medicare spending and use of SNF services increased in 2001 (the most recent available data), with payments, the total number of discharges and covered days, and the average length of stay all increasing. Little recent evidence exists on beneficiaries' access to care, but MedPAC will continue to monitor this important market factor. Quality of care in SNFs does not appear to have fallen since the implementation of the SNF prospective payment system, but MedPAC is continuing to monitor this factor. Nursing homes' access to capital has worsened over the past year, but the change does not appear to be due to Medicare reimbursement.

**ACTION:** No decisions are required at this meeting. Staff will provide preliminary information on trends in market factors, such as entry and exit, volume, access, quality, and access to capital, in preparation for a more in-depth discussion of SNF payment adequacy at subsequent Commission meetings.

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