

Skilled nursing facilities: assessing payment adequacy and updating payments

ISSUE: Each year MedPAC recommends to the Congress a payment update for the coming year for skilled nursing facilities (SNFs). The Commission uses information on various market factors and the relationship between Medicare payments and facilities' costs in evaluating the adequacy of Medicare's current SNF payment rates.

KEY POINTS: At this meeting, we will present preliminary information from the most recent available data on:

- beneficiaries' access to care,
- changes in supply,
- changes in volume of services,
- changes in quality of care,
- SNFs' access to capital, and
- the relationship between Medicare payments and SNFs' costs.

The evidence indicates that the majority of Medicare beneficiaries who need physical, occupational, or speech therapies in SNFs have little or no difficulty accessing these services, while patients needing certain complex, nontherapy services likely experience delays. Overall, growth in SNFs' capacity to provide services and in the volume of SNF services provided indicate no emerging problems for beneficiaries' access to care in this setting. The evidence regarding changes in the quality of care and SNFs' access to capital is mixed.

ACTION: Staff would appreciate feedback from Commissioners on the draft of the SNF payment adequacy chapter for the March 2004 report and the draft SNF update recommendations that will be presented at the meeting.

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