

Assessing payment adequacy: Long-term care hospital services

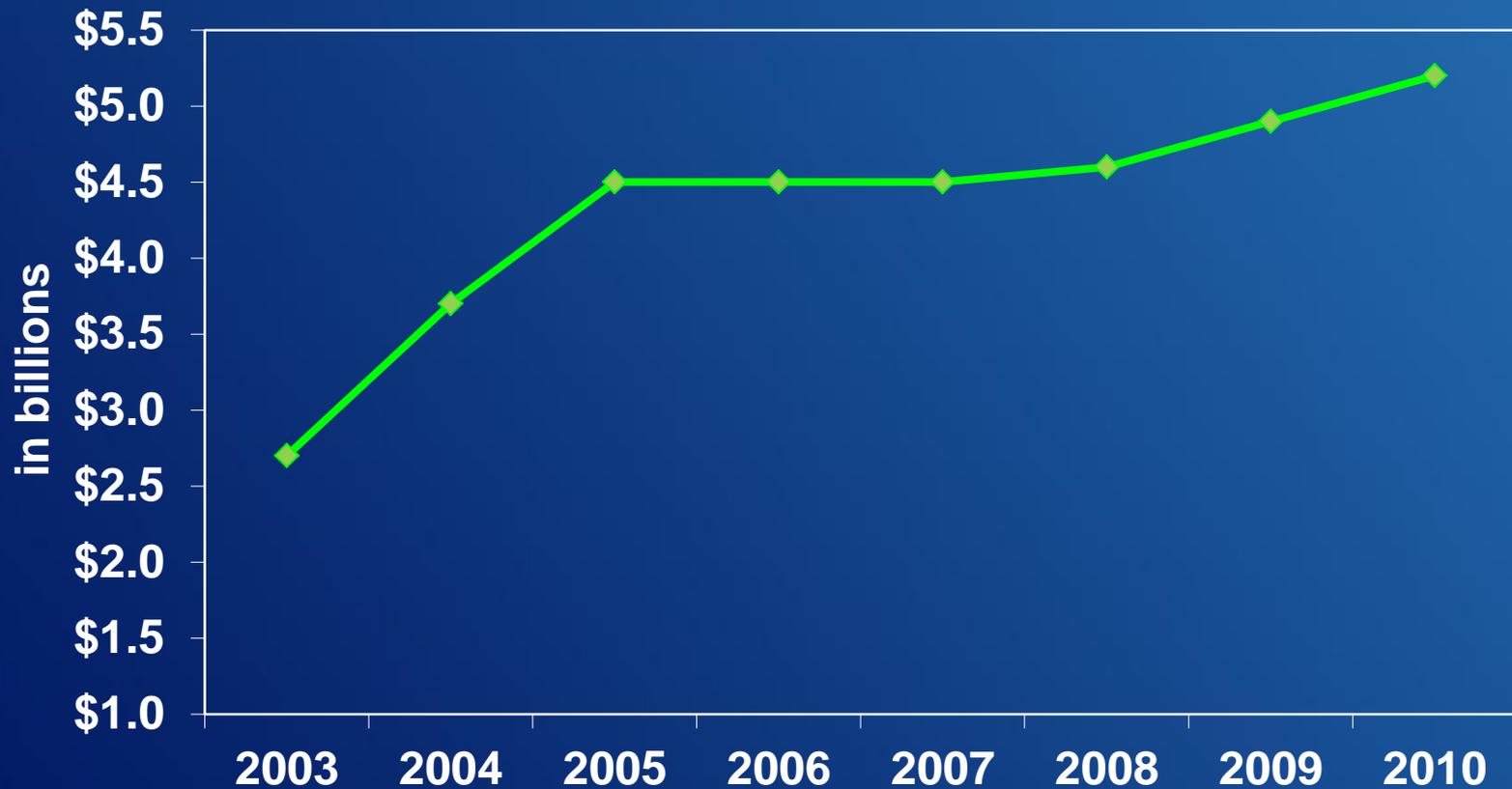
Dana Kelley

December 16, 2011

Long-term care hospitals

- Provide hospital-level care
- Must have ALOS > 25 days for Medicare patients
- Medicare spending: \$5.2 billion in 2010
 - Cases = 134,700
 - Payment per case = \$38,600
- Adjusted payments for:
 - Outliers (high cost, short-stay)
 - Admissions from host hospitals of HWHs and satellites (the 25 percent rule)

Medicare spending for LTCH services, 2003-2010



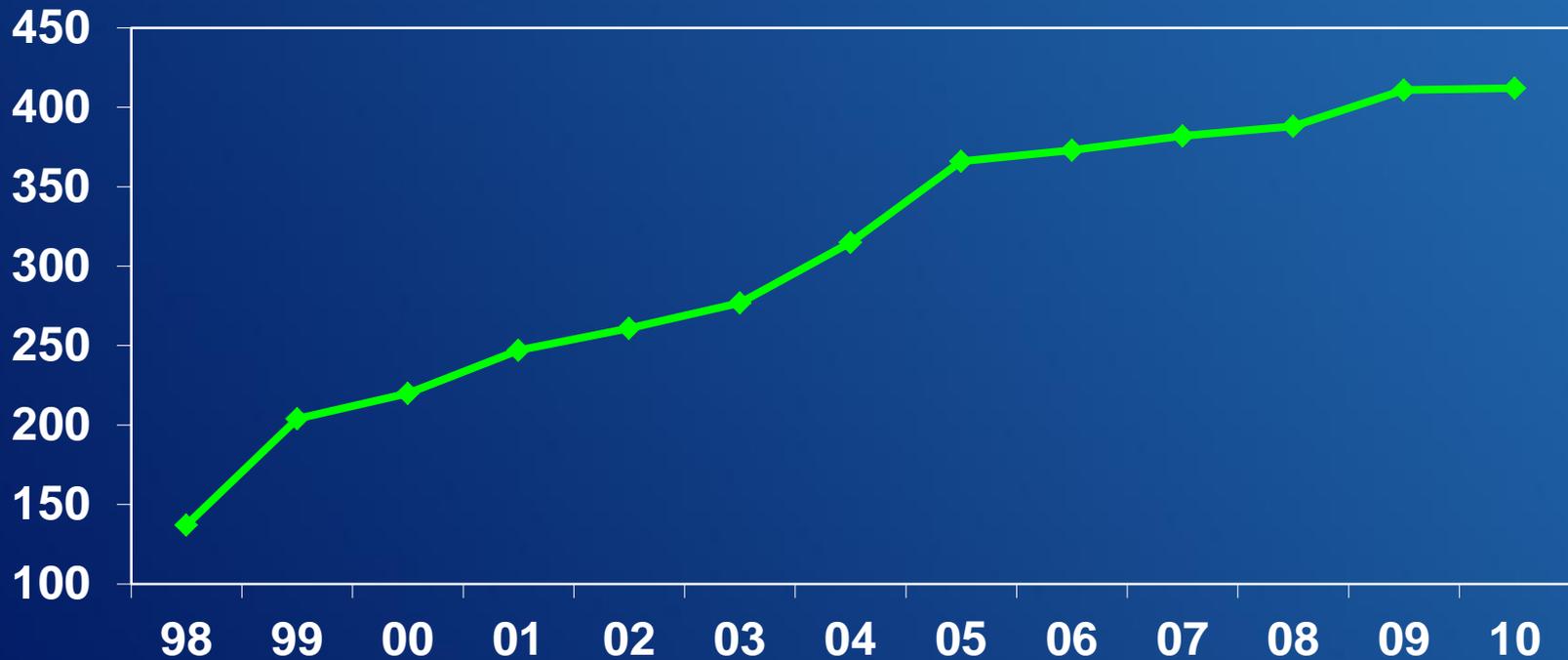
Results are preliminary and subject to change.

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



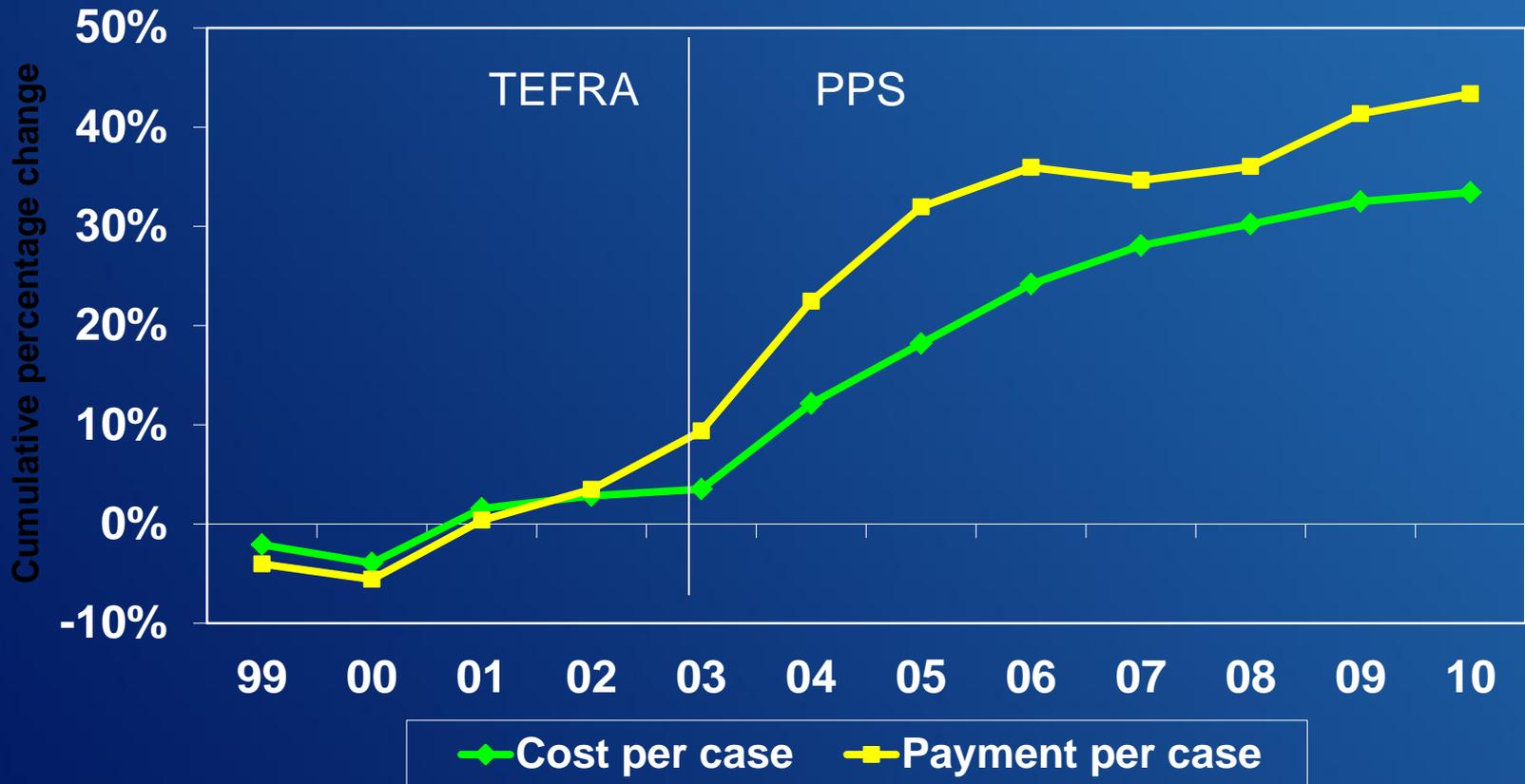
Quality

- 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

Cumulative change in LTCHs' payments and costs per case, 1999-2010



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.

High- and low-margin LTCHs, 2010

	High-margin LTCHS	Low-margin LTCHs
Standardized cost per discharge	\$26,660	\$36,251
Medicare payment per discharge	\$38,557	\$38,157
Mean total discharges (all payer)	576	444
High cost outlier payment per discharge	\$1,316	\$5,005
Short-stay cases	26%	34%
For-profit	90%	64%

Includes LTCHs that filed valid cost reports in both 2009 and 2010. Results are preliminary and subject to change.

Expected policy changes in 2013

Expiration of:

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

LTCH criteria

CMS report to Congress:

- Suggested attributes of medically complex patients:
 - Prolonged mechanical ventilation
 - Multiple organ failure
 - Multiple or chronic comorbidities
 - Multiple infections or pressure ulcers

LTCH criteria, continued

CMS report to Congress:

- Noted difficulty in predicting patient outcomes
- Noted disparities across settings in payment for medically complex care
- Made no recommendations for criteria