



*Advising the Congress on Medicare issues*

# Long-term care hospital services: Assessment of payment adequacy

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# Overview

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- RTI analysis of LTCH, ACH, and PAC claims data from 2004
- Indicators of payment adequacy
- Draft recommendation

# Major RTI findings

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- Most important factors in predicting LTCH admission:
  - severity of illness
  - living in a state where many LTCHs were available.
- LTCH patients had shorter stays in the ACH compared with similar patients who did not use LTCHs
  - suggests that LTCH care may substitute for some of the later days of ACH care.
- LTCH margins varied substantially across DRGs
  - bias in the DRG weights understates costs for cases with high ancillary use.

# Major RTI findings, continued

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- Complexity matters:
  - For least complex ventilator patients in LTCH areas, use of LTCH may be associated with higher Medicare payments and similar or worse outcomes
- LTCH supply may be associated with:
  - Fewer days per episode for ventilator patients
- No significant differences between LTCH areas and non-LTCH areas in ventilator patients':
  - mortality and readmissions
  - Part A costs per episode

# RTI recommendations to CMS

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- Require LTCH admissions to have certain medically complex conditions
- Establish a TAP to recommend criteria and measurement levels for defining medically complex patients appropriate for LTCHs
- Establish a data collection mechanism to collect necessary information
- Require LTCHs to collect functional impairment measures on all patients receiving PT, OT, and speech/language services
- Standardize conditions of participation, including staffing requirements
- Establish LTCH transfer rules

## RTI recommendations to CMS, cont.

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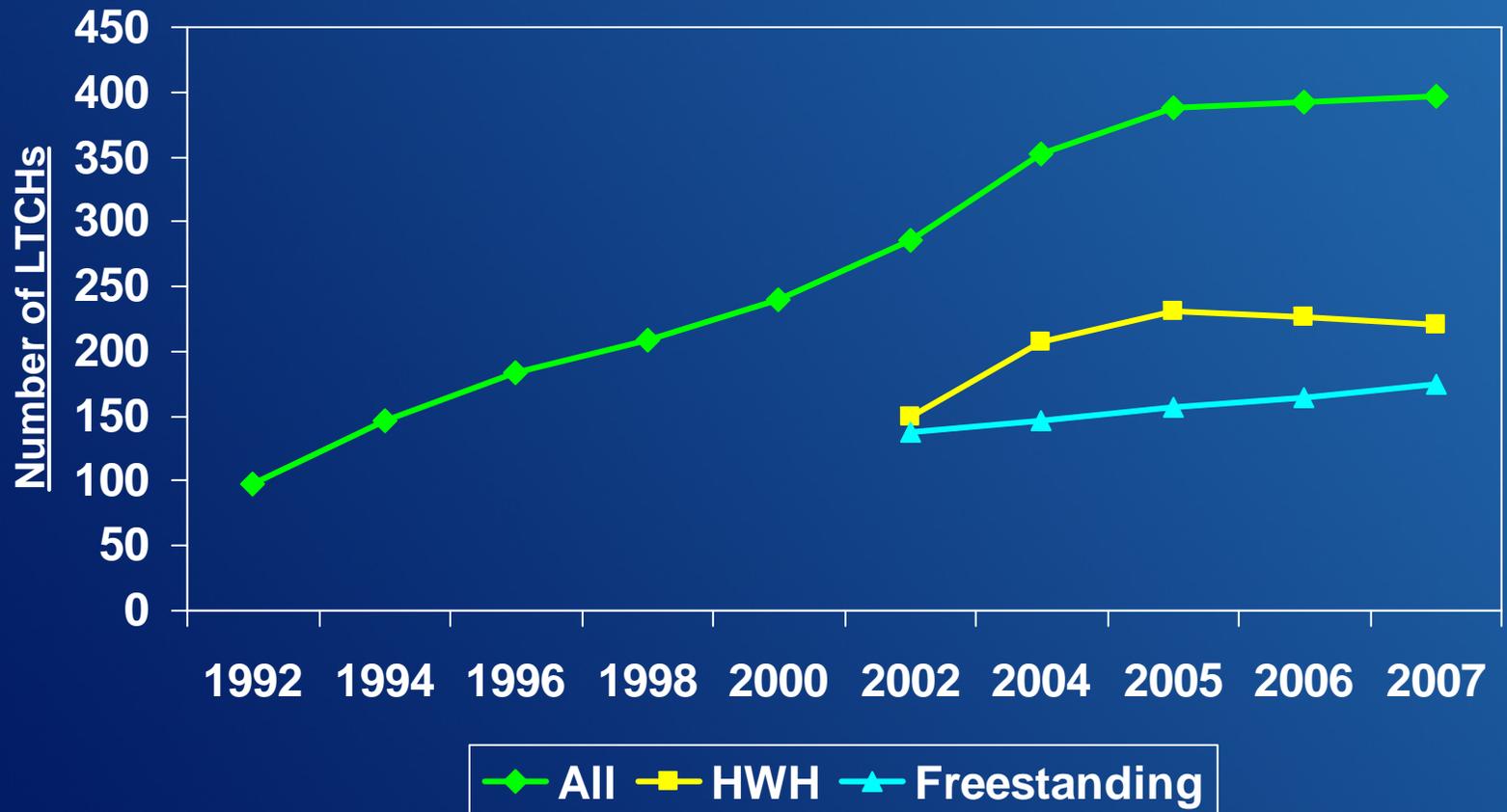
- Examine adequacy of payment under LTCH and ACH PPSs for medically complex patients
- Assess whether ACHs and LTCHs are unbundling services by discharging patients early to the next level of care

# Payment adequacy framework

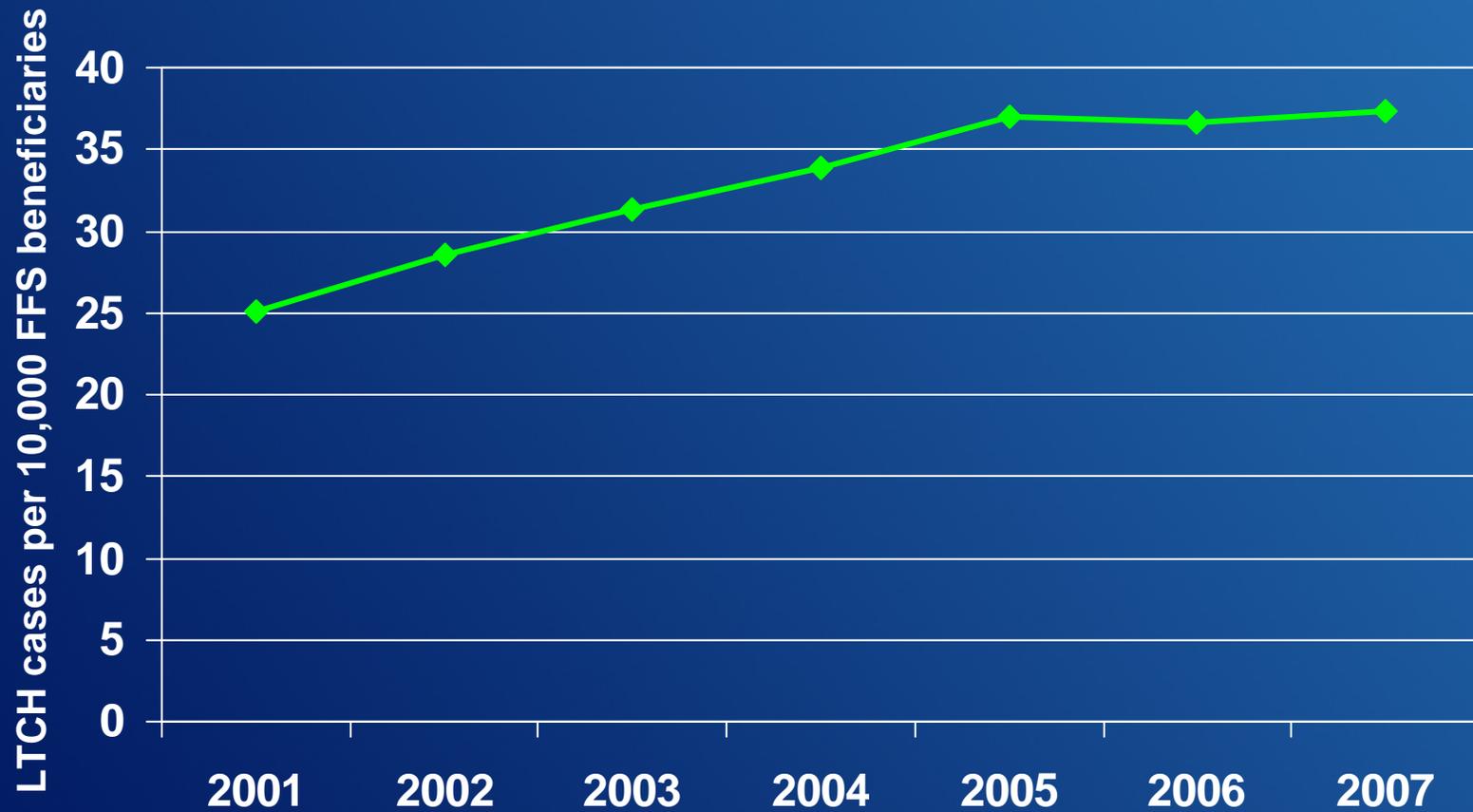
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- Supply of providers
- Access/Volume of services
- Quality
- Access to capital
- Payments and costs

# LTCH payment adequacy: Supply stable



## LTCH payment adequacy: Use of services fairly stable



## LTCH payment adequacy: Quality indicators mostly positive

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- Readmission rates stable or declining for each of the top 15 LTCH diagnoses
- Rates of death in the LTCH and death within 30 days of discharge declining for most of the top diagnoses
- Fewer cases of infection due to medical care and postoperative sepsis
- Small increase in the number of cases with decubitus ulcer and postoperative PE or DVT

# LTCH payment adequacy: Access to capital

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- Access to capital has tightened but reflects economy-wide issues
- 3-year moratorium on new beds and facilities reduces the need for capital