



Advising the Congress on Medicare issues

Assessing payment adequacy: Long-term care hospital services

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January 14, 2010

Medicare and long-term care hospitals, 2008

- Users: 115,000 beneficiaries
- Cases: 130,900
- Spending: \$4.6 billion
- Providers: 379
- Payment: per discharge, using MS-LTC-DRGs

Results are preliminary and subject to change.

Source: MedPAC analysis of MedPAR and cost report data from CMS.

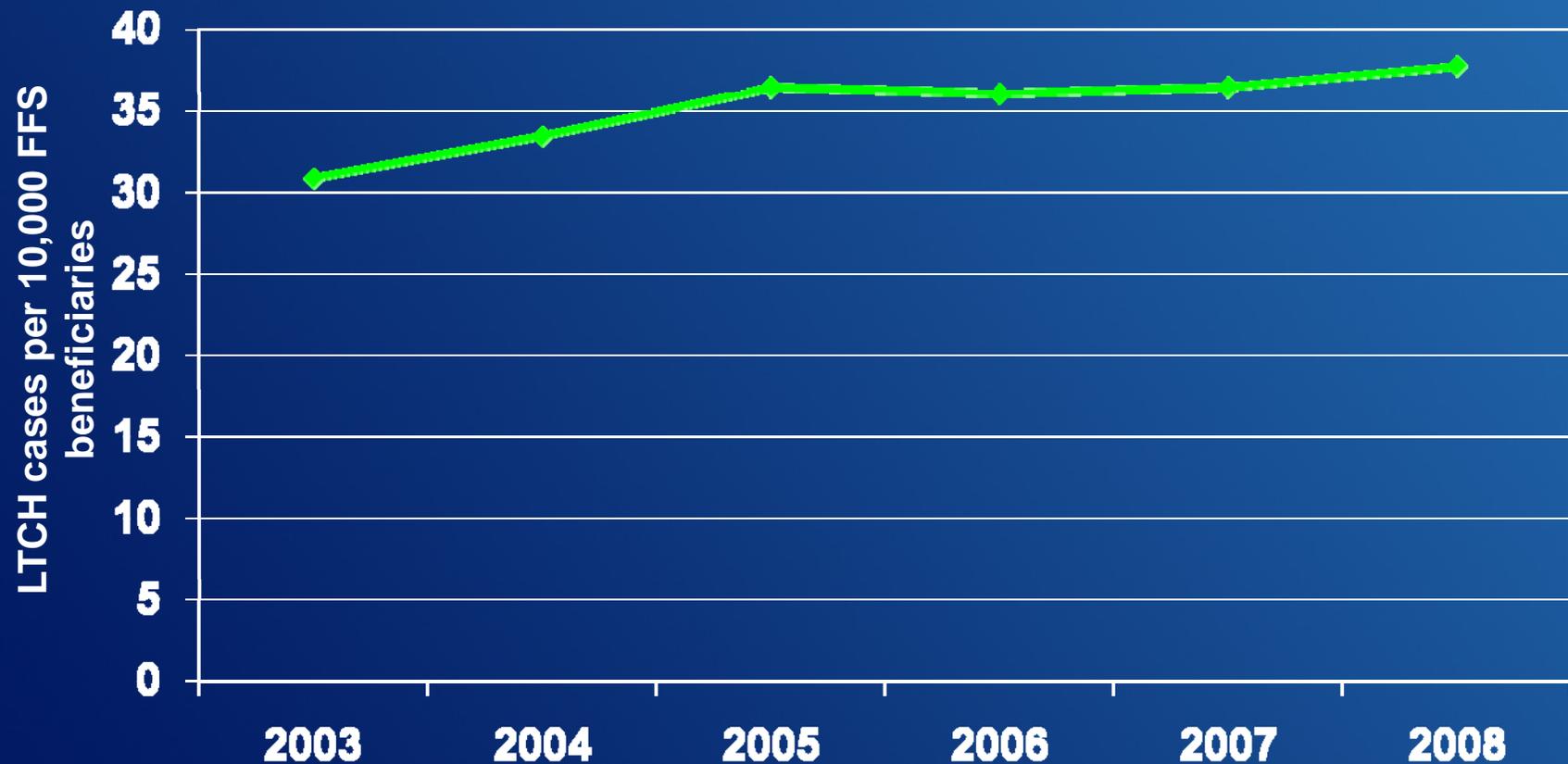
Payment adequacy framework

- Beneficiaries access to care
 - Capacity and supply of providers
 - Volume of services
- Quality of care
- Providers' access to capital
- Medicare payments and providers' costs

Access to care: Growth in the number of LTCH providers and beds has leveled



Access to care: LTCH cases per FFS beneficiary increased slightly between 2007 and 2008



Quality: Stable but new measures needed

- Readmission rates stable or declining for each of the top 15 diagnoses
- Across all diagnoses, stable rates of death in the LTCH and death within 30 days of discharge
- Development of reliable LTCH quality measures should be a priority

Access to capital: Reduced need due to moratorium

- Credit markets operating more normally in late 2009
- 3-year moratorium on new beds and facilities has reduced opportunities for expansion and need for capital

Payments & costs: Medicare margins, 2008

Type of LTCH	Share of discharges	Medicare margin
All	100%	3.4%
Urban	94	3.6
Rural	4	-2.3
Freestanding	71	3.7
HWH	29	3.1
Nonprofit	17	-2.0
For profit	81	4.9

Results are preliminary and subject to change.

Source: MedPAC analysis of Medicare cost report data from CMS.

Payments & costs: High-and low-margin LTCHs, 2008

	High-margin LTCHs	Low-margin LTCHs
Standardized cost per discharge	\$26,058	\$38,314
Medicare payment per discharge	\$38,297	\$37,896
Average yearly discharges	372	242
ALOS (in days)	27	29
HCO payment per discharge	\$2,176	\$4,984
Short-stay outlier cases	28%	35%
Cases from primary referring ACH	35%	40%
For-profit	88%	57%

Payments & costs: Projected margin

- 2010 margin: 5.8% (projected)
- Due to:
 - Legislated roll-backs of CMS regulations
 - Expected improvements in documentation & coding
 - Changes to high-cost outlier payments in 2010