



*Advising the Congress on Medicare issues*

# Adequacy of payments for long-term care hospital services

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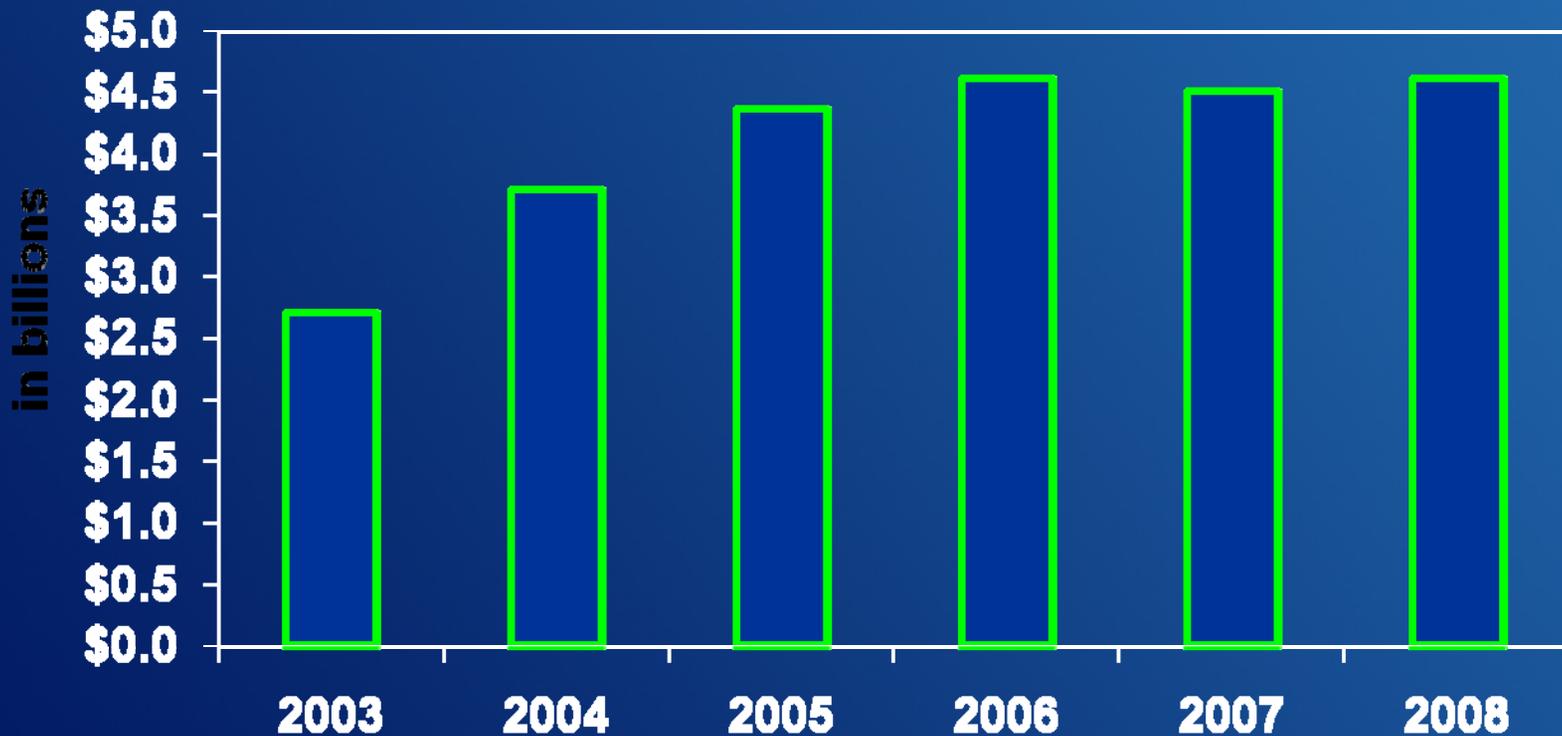
December 11, 2009

# Long-term care hospitals

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- Provide hospital-level care for extended periods
- Must have ALOS > 25 days for Medicare patients
- Medicare accounts for ~70% of LTCH patients
- PPS established in 2002
- Adjusted payments for:
  - High cost outliers
  - Short stays
  - Admissions from host hospitals of HWHs and satellites (the 25 percent rule)

# Medicare spending for LTCH services, 2003-2008

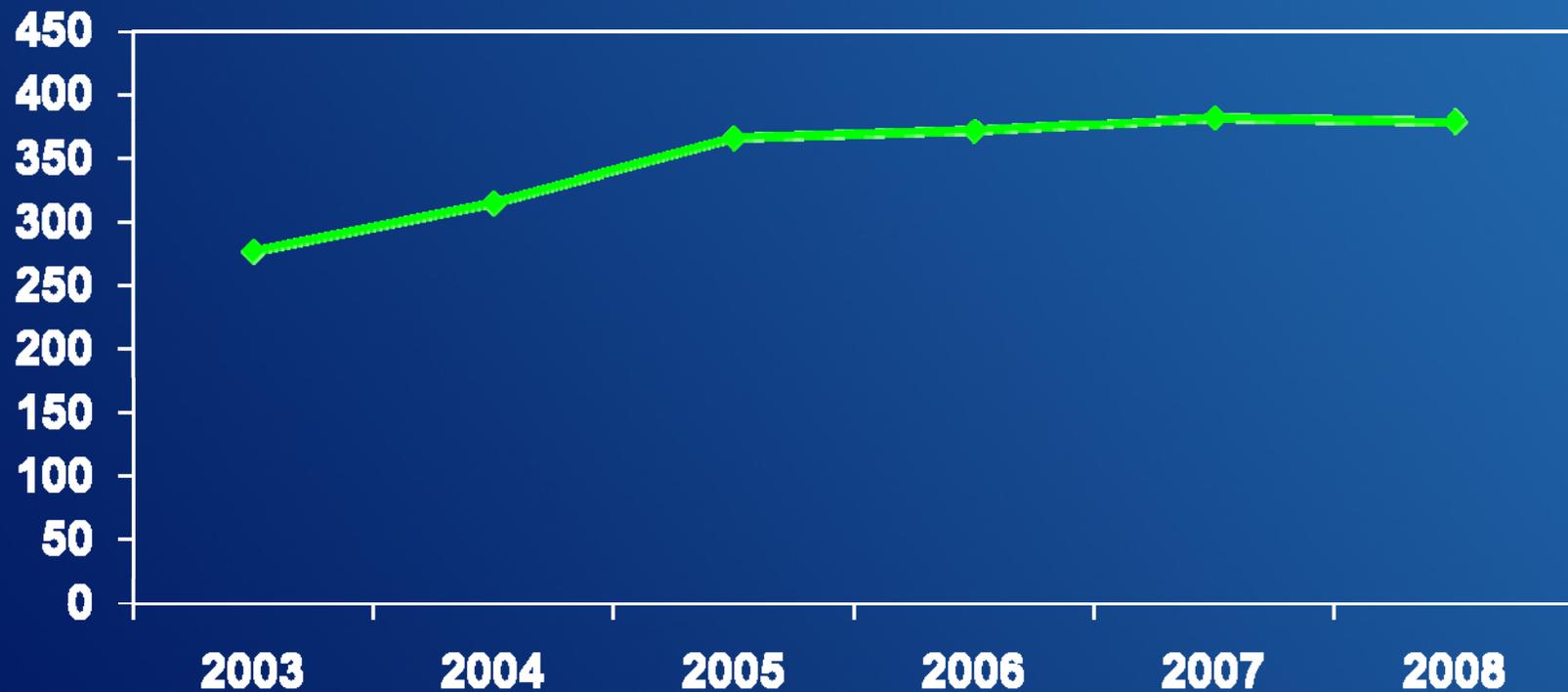


Results are preliminary and subject to change.

Source: MedPAC analysis of MedPAR data from CMS.

## Growth in the number of LTCHs has leveled

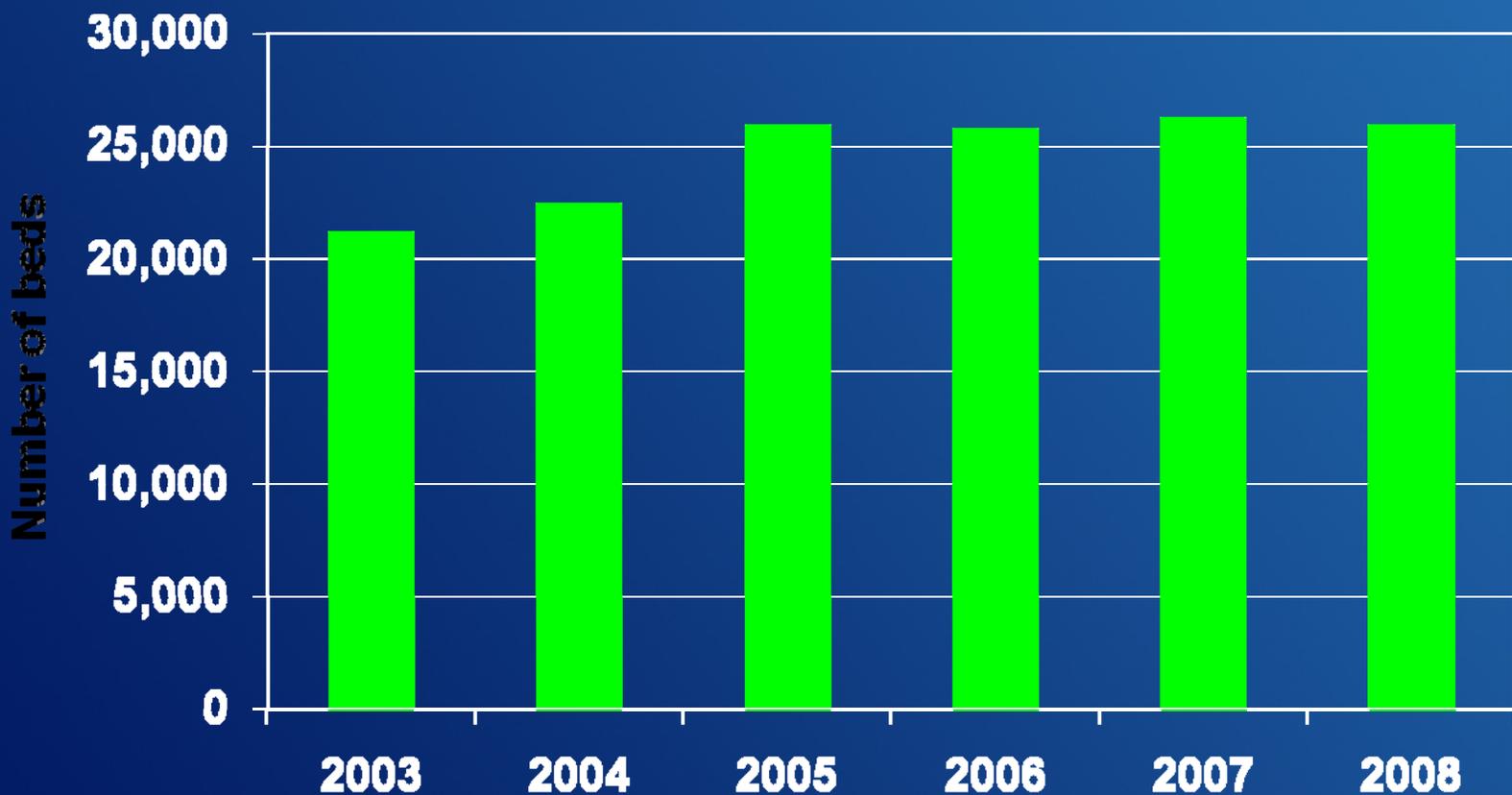
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Results are preliminary and subject to change.

Source: MedPAC analysis of cost report data from CMS.

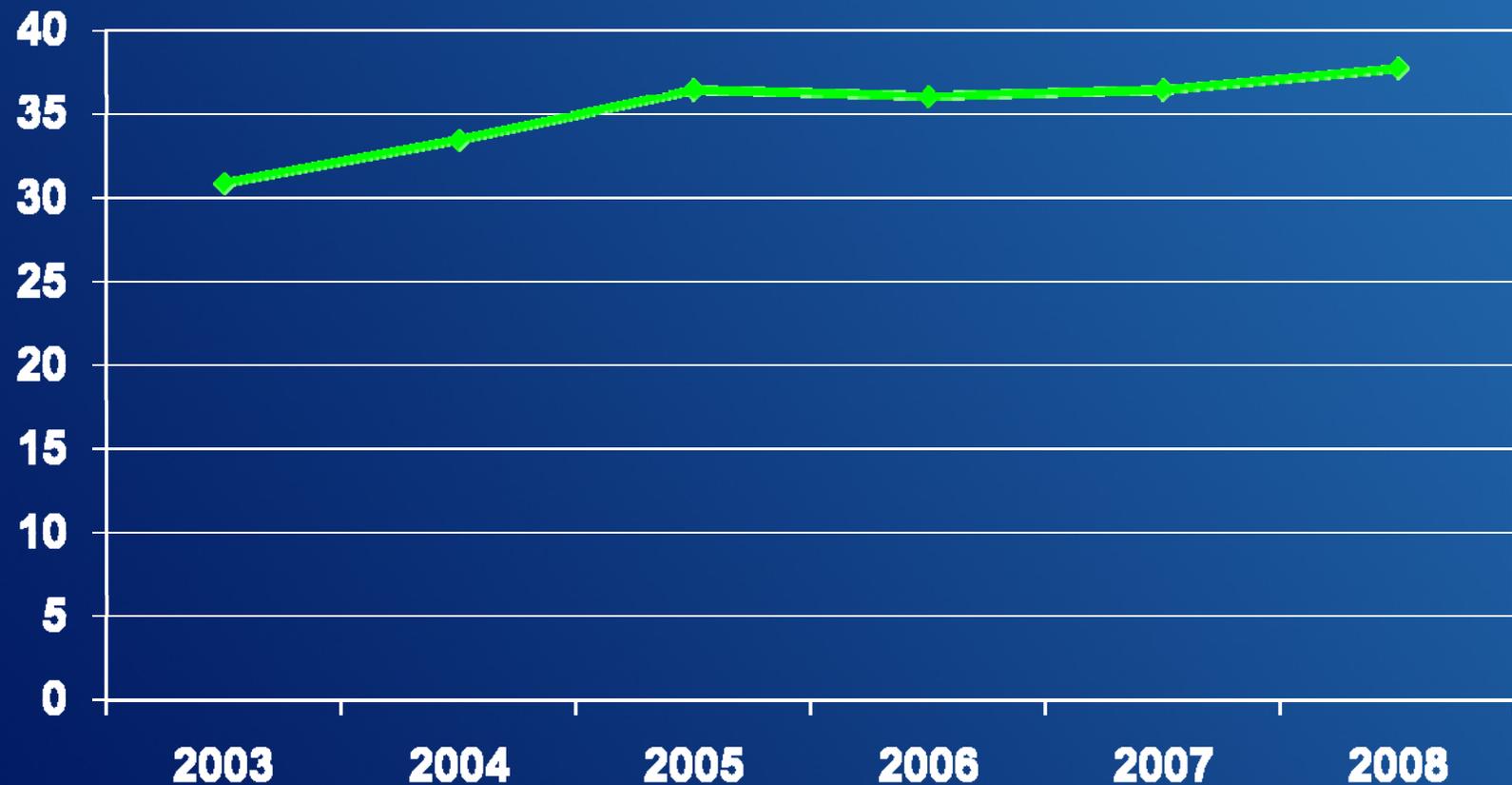
## Growth in the number of LTCH beds has leveled



Results are preliminary and subject to change.

Source: MedPAC analysis of cost report data from CMS.

## LTCH cases per 10,000 FFS beneficiaries, 2003-2008



# Hospitals within hospitals and freestanding LTCHs, 2008

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	2008
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<u>Old data source</u>	
Freestanding	45%
HWH	55%
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<u>New data source</u>	
Freestanding	61%
HWH	39%
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Includes only LTCHs with valid cost reports in 2008. Results are preliminary and subject to change.  
Source: MedPAC analysis of MedPAC and CMS HWH files.

# Quality

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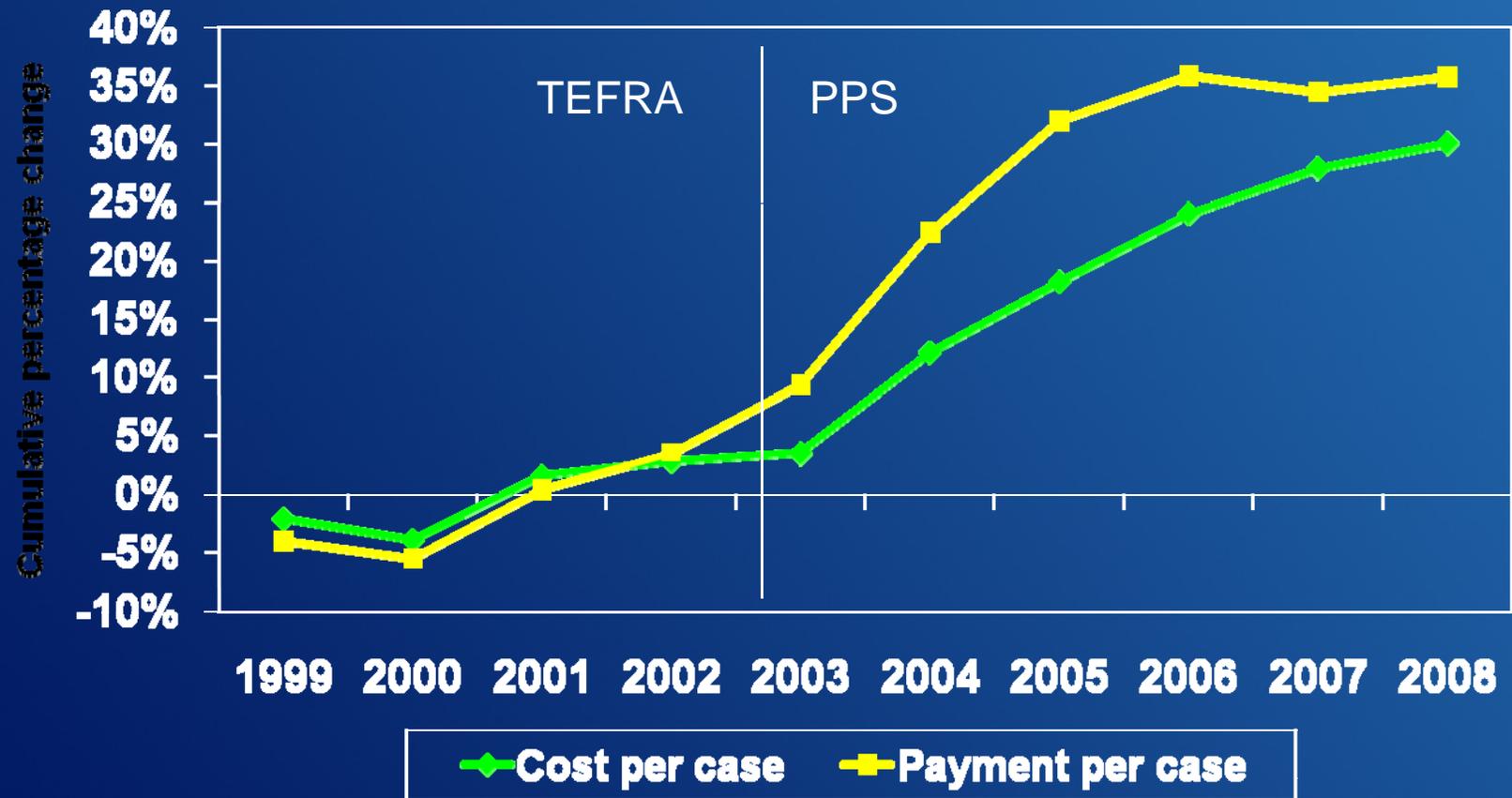
- LTCHs do not submit quality data to CMS
- Quality measures previously used by MedPAC no longer reliable for LTCHs
- Development of reliable LTCH quality measures should be a priority

# Access to capital

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- 3-year moratorium on new beds and facilities has reduced opportunities for expansion and need for capital
- Select Medical raised \$279.1 million in IPO (9/09)
- Merger between Triumph and RehabCare Group made RHB the third largest LTCH provider (11/09)

# Cumulative change in LTCHs' payments and costs per case, 1999-2008



# High- and low-margin LTCHs, 2008

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

# Policy changes for modeling 2010 margins

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- Updates in 2009 & 2010
- MS-LTC-DRG case-mix coding improvements
- Changes to the wage index in 2009 & 2010
- Changes to high-cost outlier payments in 2009 & 2010

# Summary

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- Supply stabilized after rapid growth
- Beneficiary use increasing slightly
- Quality: unknown
- Access to capital—limited need under moratorium