

Revising the SNF PPS

ISSUE: MedPAC and others have raised two fundamental problems with the prospective payment system (PPS) Medicare uses to pay skilled nursing facilities (SNF). First, the PPS does not adequately distribute payments for nontherapy ancillary (NTA) services (such as drugs, IV medications, and respiratory therapy). Second, because providers are paid more if they furnish more therapy services, the system does not include incentives for providers to furnish only the amount of therapy that beneficiaries need. In addition, the PPS does not include an outlier policy to defray the losses from exceptionally high-cost patients.

Since the spring of 2007, MedPAC staff has worked with researchers from the Urban Institute to improve the accuracy of SNF payments. This work establishes a separate payment for NTA services, bases therapy payments on predicted care needs, and considers an outlier policy.

KEY POINTS: Staff will present information on the accuracy of a revised PPS design and the resulting shifts in payments. This information will be a chapter in the June 2008 report.

ACTION: Commissioners should review the paper in preparation for voting on the proposed recommendations.

STAFF CONTACT: Carol Carter (202) 220-3700