Aligning benefits and cost sharing under a unified payment system for post-acute care

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MEDPAC

Context for post-acute care (PAC) reform

Similar patients across settings, yet payments can differ substantially

Large variation in Medicare per capita spending on PAC

Setting-specific patient assessments and outcome measures

Providers can vary their payments through coding and amount of therapy they furnish

Medicare payments for PAC are high relative to cost of care

Commission's work on PAC prospective payment system (PPS)

PAC PPS design	Implementation issues	Value incentive program
➢ Features ➢ Impacts ➢ Sequential PAC use	➢ Level of payments ➢ Transition to PAC PPS ➢ Align regulatory requirements ➢ **Align benefits and cost sharing**	➢ Uniform outcome measures ➢ Illustrative design

Why align benefits and cost sharing under a unified payment system for post-acute care

Under a unified payment system:

- Payments and regulatory requirements across all PAC providers will be aligned
- Distinctions between settings will become blurred

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With aligned payments and regulatory requirements:

- Beneficiaries should have the same benefits and face the same cost sharing

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Aligned benefits and cost sharing would:

- Remove financial considerations from beneficiaries' decisions on where to get PAC

Benefits and cost-sharing liabilities differ by post-acute care setting, 2019

	HHA	SNF	IRF and LTCH (inpatient hospital rules)
Prior hospital stay	• None	• 3-day inpatient hospital stay within 30 days	• None
Coverage limit	• None	• 100 days	• Coverage exhausted after lifetime reserve days used
Inpatient deductible	• None	• None	• Beneficiaries admitted from the community: $1,364
Daily copayment	• None	• Days 0-20: None • Days 21-100: $170.50	• Days 0-60: None • Days 61-90: $341 • Lifetime reserve days: $682

Possible changes to align benefits and cost sharing

Benefit

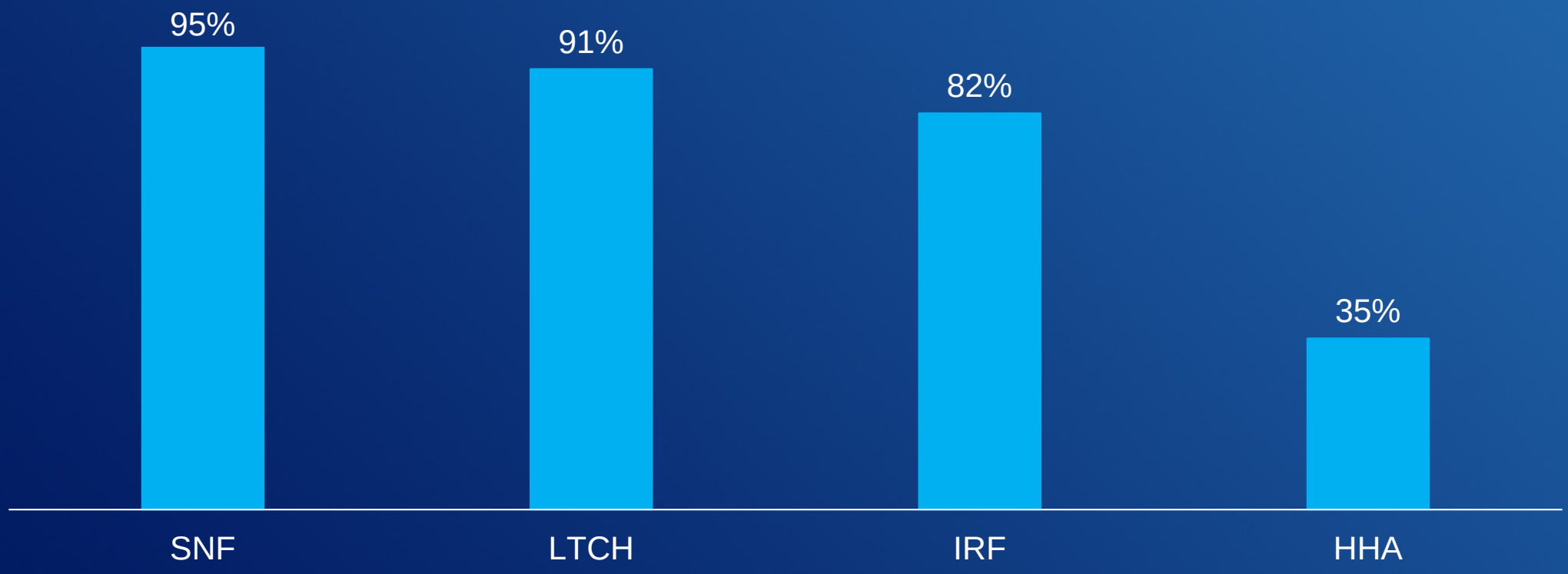
1. Prior hospital stay for coverage
2. Limit on days covered

Cost sharing

3. Assessing a per-stay copayment

Align benefits: Prior hospital stay requirement would affect majority of home health users

- PAC stays with a three-day prior hospital stay within 30 days



Note: Skilled nursing facility (SNF), long-term care hospital (LTCH), inpatient rehabilitation facility (IRF), and home health agency (HHA). Preceding hospital stay occurred within 30 days of admission to PAC. Analysis includes beneficiaries with a full year of fee-for-service coverage who did not die at any point during the year.

Source: MedPAC analysis of 2017 MedPAR data.

Results preliminary; subject to change.

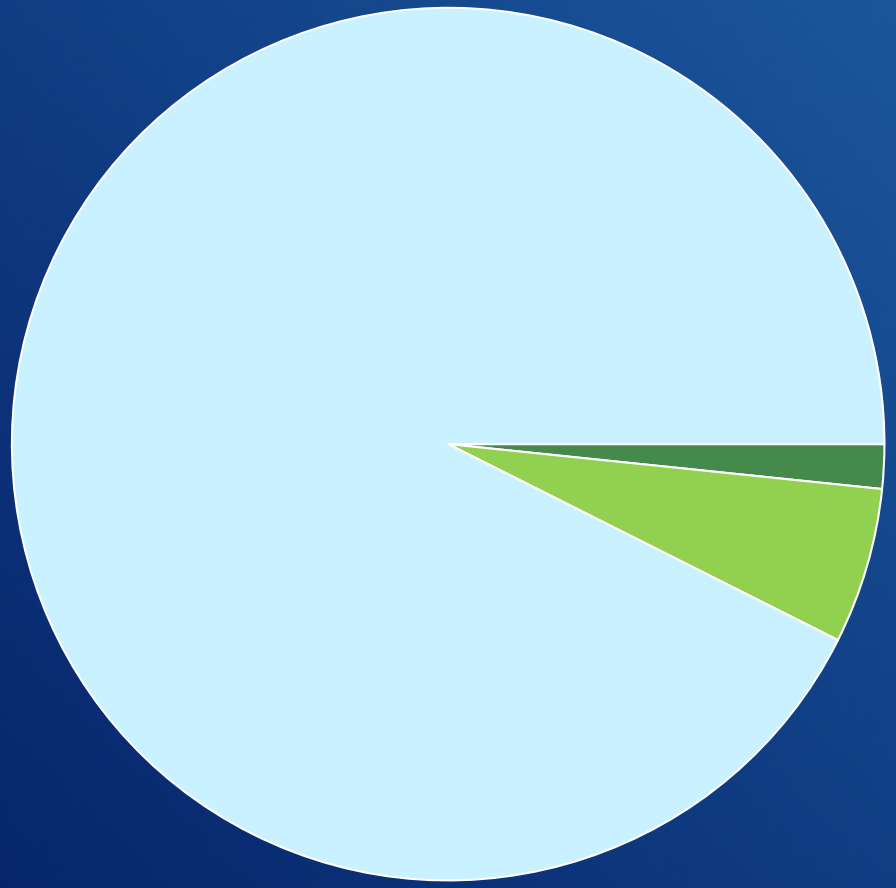
Align benefits: Require or eliminate a prior hospital stay for Medicare coverage?

Require a prior hospital stay for Medicare coverage	Eliminate prior hospitalization requirement
➢ Would decrease coverage for a minority of IRF and LTCH users and the majority of HHA users ➢ Would modestly lower program spending	➢ Would increase coverage for SNF users ➢ Could induce nursing homes to qualify long-stay residents as Medicare-covered ➢ Likely to substantially raise program spending

Align benefits: Limit the days covered by Medicare?

Establish a uniform limit on days covered	Eliminate the existing day limits on coverage
➢ Eliminates open-ended coverage for home health care ➢ Aligns the current limits on days in institutional PAC	➢ Retains open-ended coverage for home health care ➢ Extends coverage for a small number of beneficiaries with long institutional PAC stays

SNF cost sharing comprised the majority of all PAC cost sharing, 2017



Total PAC cost sharing: $5.2 billion

- IRF 1.6%
- LTCH 5.8%
- SNF 92.6%

Note: Post-acute care (PAC), inpatient rehabilitation facility (IRF), long-term care hospital (LTCH), skilled nursing facility (SNF). Cost sharing includes the costs incurred to meet the inpatient hospital deductible (for community-admitted LTCH and IRF users), daily copayments, and the blood deductible. Analysis includes beneficiaries with fee-for-service coverage.

Source: MedPAC analysis of 2017 MedPAR data.

Results preliminary; subject to change.

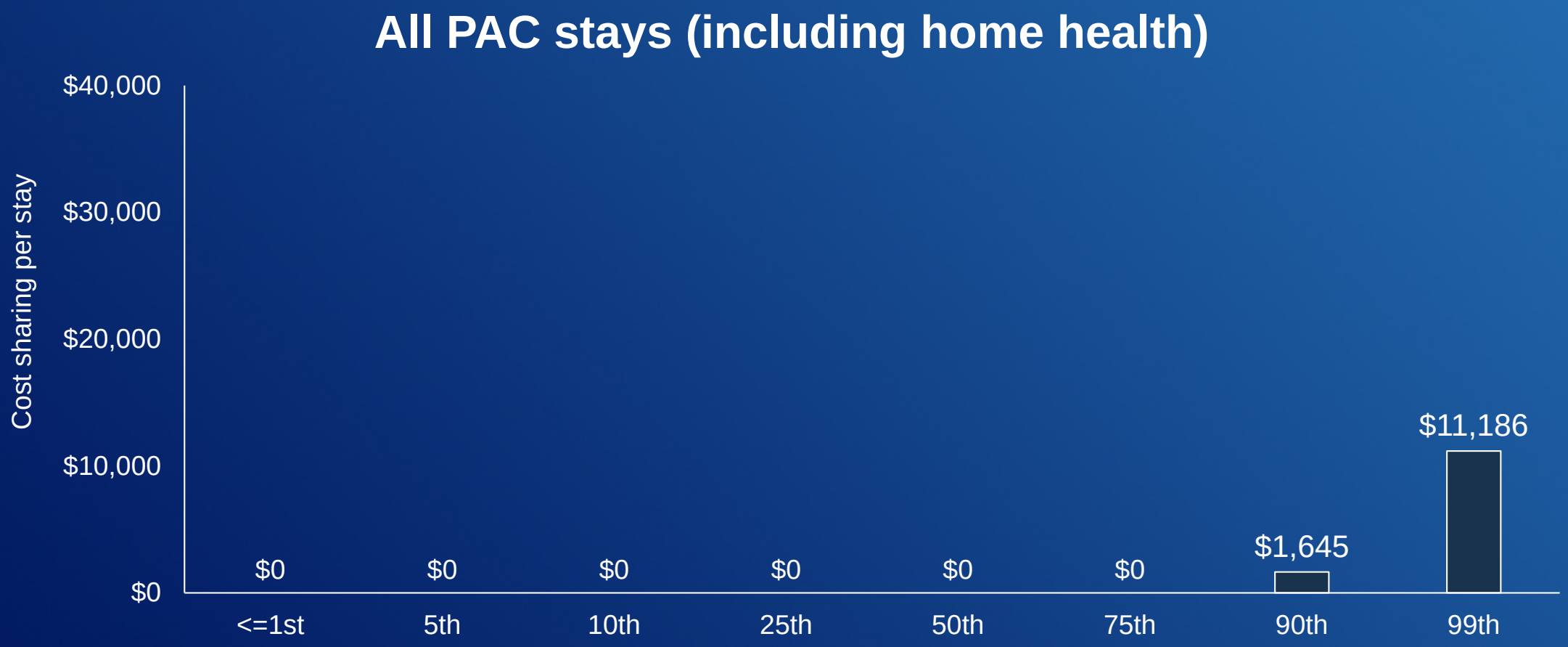
Assessing a per-stay copayment

Beneficiaries would be liable for a copayment for each PAC stay

Consistent with, but goes further than, 2011 recommendation for community admitted home health users

Would be consistent with cost sharing in other parts of the Medicare program

The majority of post-acute care stays do not incur beneficiary cost sharing, 2017

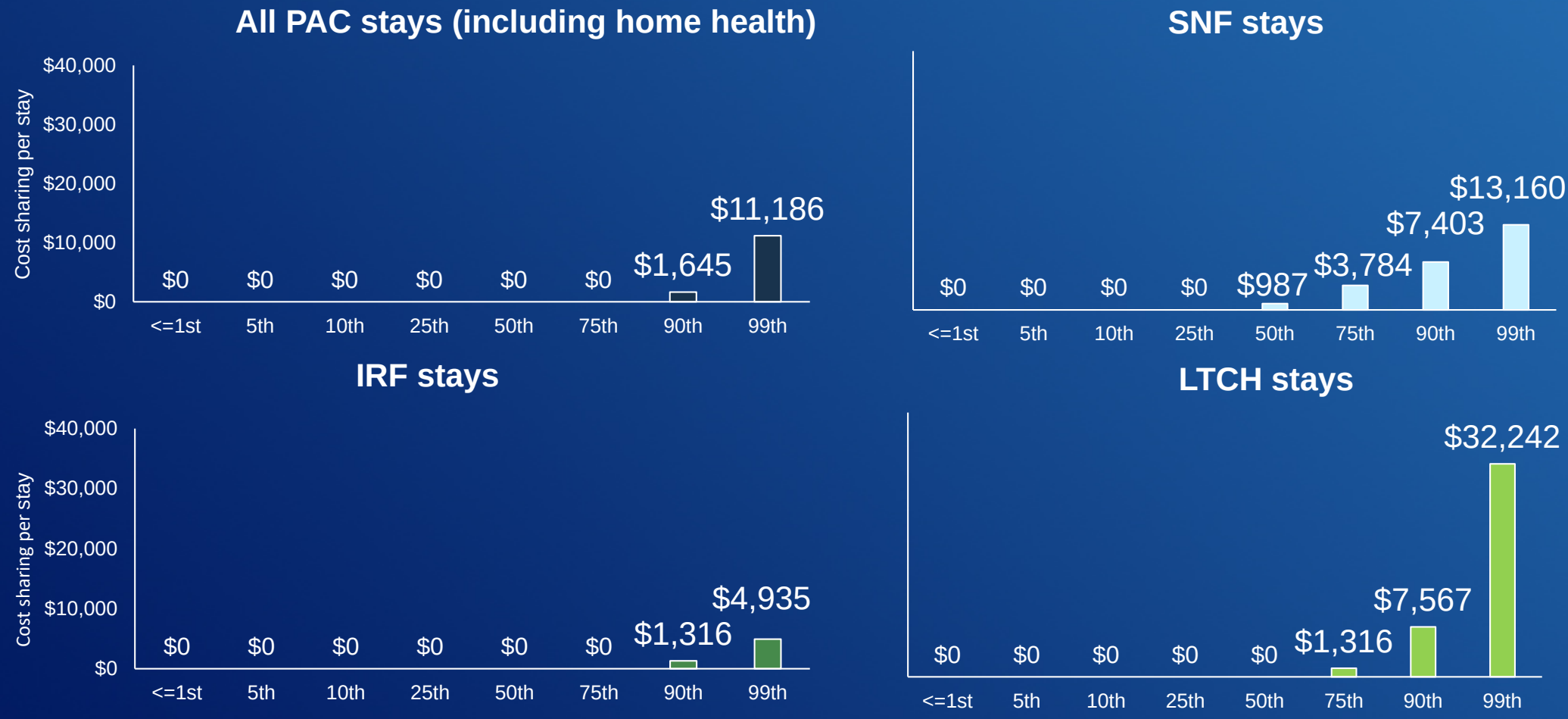


Note: Post-acute care (PAC). Total cost sharing includes the costs incurred to meet the inpatient deductible (for community-admitted LTCH and IRF stays), copayments, and blood deductible. Analysis includes beneficiaries with a full year of fee-for-service coverage who did not die at any point during the year. Total number of stays was 7,104,324.

Source: MedPAC analysis of 2017 MedPAR data.

Results preliminary; subject to change.

Per-stay cost sharing varies by post-acute care setting, 2017



Note: Post-acute care (PAC), skilled nursing facility (SNF), inpatient rehabilitation facility (IRF), and long-term care hospital (LTCH). There is no cost sharing incurred for home health stays. Total cost sharing includes the costs incurred to meet the inpatient deductible (for community-admitted LTCH and IRF stays), copayments, and blood deductible. Analysis includes beneficiaries with a full year of fee-for-service coverage who did not die at any point during the year. Total number of stays was 7,104,324.

Source: MedPAC analysis of 2017 MedPAR data.

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Align cost sharing: Should per-stay copayments be uniform?

Copayments across PAC settings could either be:

Same amount

- Would fully align PAC cost sharing
- Home health users would pay a higher share of total payment
- Would reduce beneficiary financial considerations

Different amounts

- Lower copayment for home health, higher for institutional PAC
- Would reflect relative differences in payments to providers
- Encourages use of less costly services

Align cost sharing: Per-stay copayment amount?

Copayment could be based on a certain percentage of program payment:

- MedPAC's 2012 benefit redesign work

- Current aggregate PAC cost sharing

- Current Part B cost sharing

Options to model illustrative benefit and cost-sharing policies

Prior hospital stay required?

- Yes
- Institutional PAC only
- No

Uniform limit on days covered?

- Yes, aligned limit
- No limit

Uniform copayment?

- Yes, same amount
- No, different amounts