Using payment to ensure appropriate access to and use of hospital emergency department services

Jeff Stensland, Zach Gaumer, and Sydney McClendon
April 5, 2018
Outline of today’s presentation

- Background:
  - Emergency department (ED) use and stand-alone EDs
  - Payment incentives and ED use
- Urban stand-alone ED concerns
- Rural ED access concerns
- Discussion
- Vote on draft recommendations
Growing ED use

- Medicare outpatient ED use grew faster than nationwide ED use and Medicare physician visits.
- The two highest-paying levels of ED visits (levels 4 and 5) growing as a share of all Medicare ED visits.
- Medicare outpatient ED payments increased 72 percent per beneficiary (2010 to 2016).
- Emerging trend: Stand-alone EDs
  - 550-600 operating in several states (2017)
  - Most opened since 2010
  - Approximately two-thirds are hospital-owned off-campus EDs (OCEDs) that can bill Medicare.

Results are preliminary and subject to change.
Payment incentives may be driving ED use

- Medicare pays two different rates for ED services
  - Type A payment rates: Facilities open 24/7
  - Type B payment rates: Facilities open less than 24/7, payment rates are 30 percent lower than Type A rates
- Medicare payment is dependent on the distance the OCED is from its affiliated hospital
  - Within 35 miles: Receives Type A payment rates
  - More than 35 miles: May not bill for ED services; instead receives physician fee schedule payment rates
Urban stand-alone EDs: Concerns

- Number of stand-alone EDs growing in several urban markets
- Tend to locate in high-income areas
- Medicare payments misaligned with relative costs:
  - Lower patient severity than on-campus EDs
  - Lower standby costs than on-campus EDs
  - Paid the same as on-campus EDs (Type A ED payment rates)
Identifying Medicare payment rates for OCEDs

- Acuity of OCED patients similar to acuity mix of Type B cases, and between on-campus hospital EDs and urgent care centers
- Type B payment rates are 30 percent lower than Type A rates
- Type B rates contain an anomaly: lowest intensity cases paid more than some higher intensity cases
- 30 percent reduction to Type A rates is more consistent with policy objectives
Proximity threshold for urban OCEDs

- 75 percent located within 6 miles of an on-campus hospital ED
- 25 percent located more than 6 miles from an on-campus hospital ED

<table>
<thead>
<tr>
<th>Distance to the nearest on-campus hospital ED (miles)</th>
<th>0-2</th>
<th>2-4</th>
<th>4-6</th>
<th>6-8</th>
<th>8+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cumulative percent</td>
<td>21%</td>
<td>52%</td>
<td>75%</td>
<td>87%</td>
<td>100%</td>
</tr>
<tr>
<td>Average minutes to nearest on-campus hospital ED</td>
<td>4.4</td>
<td>8.4</td>
<td>10.3</td>
<td>14.0</td>
<td>18.4</td>
</tr>
</tbody>
</table>

Source: MedPAC analysis of stand-alone ED locations using ARC GIS and google mapping.
Note: Data are for 112 stand-alone EDs in five US markets (Charlotte, Cincinnati, Dallas, Denver, Jacksonville).

Results are preliminary and subject to change
Rural concern: Inpatient-focused rural payment policies are increasingly ineffective

- Long-standing objective: Preserve access
- Current strategy
  - Higher inpatient rates for rural PPS hospitals
  - Cost-based payment for Critical Access Hospitals (CAHs)
- Two problems
  - Increasingly inefficient
  - Does not always preserve emergency access
Declining admissions at CAHs

Total annual discharges per CAH

Source: All-payer discharges reported by hospitals on Medicare cost reports.
Results are preliminary and subject to change.
Growing Medicare ED visits at CAHs

Source: Medicare cost reports.
Results are preliminary and subject to change.
Discussion topics

- Urban draft recommendation: Align payments to urban OCEDs with the cost of care
- Rural draft recommendation: Preserve access to rural ED services