

Implementing a unified payment system for post-acute care

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Background on a unified PAC PPS

- Creates a unified payment system for similar patients treated in any PAC setting
- Bases payments on patient characteristics, not where patients are treated
- Eliminates biases in the current HHA and SNF PPSs
- The IMPACT Act of 2014 requires reports on a PAC PPS but does not require implementation
 - Unlikely that a PAC PPS would be proposed before 2024, for implementation sometime later

MedPAC's conclusions about a PAC PPS and likely impacts

Conclusions

- PAC PPS is feasible
- Could be implemented sooner than timetable indicated in law
- Revise PPS when functional assessment data become available
- Concurrent alignment of regulatory requirements

Impacts

- Redistributes payments from stays with high amounts of therapy unrelated to a patient's condition to medical stays
- Increases the equity of payments across different clinical conditions by narrowing differences in profitability

Implementation issue #1: Include a transition to a PAC PPS

- A transition blends new PAC PPS and current setting-specific PPS over multiple years
- Extends the current inequities in SNF and HHA PPSs but gives providers time to adjust their costs and practices
- The size and variation in the changes in payments indicate the need for only a short transition
- Providers could have the option to bypass transition

Implementation issue #2: Setting the level of total PAC PPS payments

- Average PAC payment estimated to be 14% higher than the average cost of care
- Consistent with previous MedPAC recommendations, the level of payments should be lowered
- Even with a 5% reduction, the average payments would be 9% higher than the average cost of stays
 - For most of the 30 patient groups, average payments were 7-9% higher than average costs

Implementation issue #3: Periodic refinements to the PAC PPS

- As with prior payment policy changes, providers will change their costs, patient mix, and practice patterns to maintain or increase their profitability
- Refinements to the PPS to keep payments aligned to the cost of care
 - Revise the relative payments across stays
 - Rebase payments if the costs of care change
 - On-going maintenance of any PPS

Conclusions

- A PAC PPS could be implemented as soon as 2021
- Functional assessment data should be incorporated into the risk-adjustment method when it becomes available
- The implementation should include a short transition
- The level of PAC spending should be lowered
- Concurrently, the Secretary will need to begin to align setting-specific regulatory requirements and will need the authority to do so
- The Secretary will need the authority to revise and rebase payments

Commission's PAC PPS goals

- The PAC PPS can and should be implemented sooner than laid out in statute
- The recommendation reflects the Commission's concern that payment reforms in PAC settings have been too slow
- The Commission will continue its work on PAC reform. Over the next year, we will consider regulatory alignments across PAC settings.