

*Advising the Congress on Medicare issues*

# Improving Medicare payment for post-acute care

Carol Carter  
January 16, 2020

# Cross-cutting issues in the revisions to the post-acute care payment systems

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## Payment levels are high in SNFs, HHAs, and IRFs


- Payments need to be lowered
- Align payments with costs

## Revised SNF and HHA PPSs will increase payment equity

- Monitor provider responses
- CMS may need to make future revisions
- Revisions align with a unified PAC PPS

## Provider-reported patient functional assessment data may be biased

- Bias in current reporting raises payments
- Consistency and accuracy of information needs to be improved



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# Assessing payment adequacy and updating payments for skilled nursing facilities

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January 16, 2020

# Overview of the skilled nursing facility industry, 2018

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## Providers

About 15,000  
Most also provide  
long-term care

## Medicare spending

\$28.5 billion

## Medicare users


1.5 million  
4% of FFS  
beneficiaries

## Medicare share of:

Facility days: 10%  
Facility revenue: 18%

# Summary: SNF payment adequacy indicators are positive

Beneficiaries' access to care	Quality of care	SNFs' access to capital	Medicare payments and SNFs' costs
<ul style="list-style-type: none"><li>➤ Stable supply</li><li>➤ Volume declines parallel reductions in hospital stays</li><li>➤ High marginal profit (18%)</li></ul>	<ul style="list-style-type: none"><li>➤ Improvements in discharge to community and readmission rates</li></ul>	<ul style="list-style-type: none"><li>➤ Adequate access to capital</li><li>➤ Low total margins (-0.3%) reflect lower payments from other payers</li></ul>	<ul style="list-style-type: none"><li>➤ In 2018, Medicare margins declined but remain high (10.3%)</li><li>➤ Efficient provider margins very high (16.9%)</li><li>➤ Projected margin will remain high (10%) in 2020</li></ul>
Positive	Positive	Positive	Positive



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# Assessing payment adequacy and updating payments: Home health care services

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January 16, 2020

# Overview of the home health care industry, 2018


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- \$17.9 billion total Medicare expenditures (FFS)
- Over 11,500 agencies
- 6.3 million episodes for 3.4 million FFS Medicare beneficiaries

# Summary: Home health payment adequacy indicators are positive

Beneficiaries' access to care	Quality of care	Access to capital	Medicare payments and HHA costs
<ul style="list-style-type: none"><li>➤ 98 percent live in a ZIP code with at least one HHA available</li><li>➤ Episode volume slightly decreased</li><li>➤ Positive marginal profits</li></ul>	<ul style="list-style-type: none"><li>➤ Functional quality measures improved</li><li>➤ Adverse event rates no significant change</li></ul>	<ul style="list-style-type: none"><li>➤ Positive all-payer profit margins</li><li>➤ Large for-profits continue to expand and acquire new businesses</li></ul>	<ul style="list-style-type: none"><li>➤ 15.3 percent Medicare margin in 2018 (efficient provider over 23 percent)</li><li>➤ Projected margin estimated to increase in 2020 (17.0 percent)</li></ul>
Positive	Positive	Positive	Positive





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# Assessing payment adequacy and updating payments: Inpatient rehabilitation facility services

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# Overview of the inpatient rehabilitation facility industry, 2018

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- 1,170 IRFs
- 75% are hospital-based but freestanding IRFs accounted for half of Medicare discharges
- 408,000 stays for 364,000 beneficiaries
- \$8.0 billion total Medicare expenditures (FFS)
- Medicare accounted for:
  - 59% of IRFs' discharges
  - Average length of stay in an IRF was 12.7 days

# Summary: IRF payment adequacy indicators are positive

Beneficiaries' access to care	Quality of care	IRFs' access to capital	Medicare payments and IRFs' costs
<ul style="list-style-type: none"><li>➤ Capacity appears more than adequate to meet demand</li><li>➤ Increase in volume</li><li>➤ High marginal profit</li></ul>	<ul style="list-style-type: none"><li>➤ Risk-adjusted outcome measures have improved slightly over time</li></ul>	<ul style="list-style-type: none"><li>➤ IRFs maintain good access to capital markets</li><li>➤ The all-payer margin for freestanding IRFs is a robust 10.7 percent</li></ul>	<ul style="list-style-type: none"><li>➤ In 2018, the aggregate Medicare margin was 14.7 percent</li><li>➤ We project a margin of 12.7 percent in 2020</li></ul>
Positive	Positive	Positive	Positive



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# Assessing payment adequacy and updating payments: Long-term care hospitals

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January 16, 2020

# Overview of the long-term care hospital industry, 2018

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## Totals

# of LTCHs: 374

Medicare spending:  
\$4.2 billion

Cases: ~102,000

## Mean payment per case

All cases: ~\$40,000

Cases meeting LTCH  
PPS criteria: ~\$47,000

# Summary: LTCH payment adequacy indicators are positive or as expected given changes in payment structure

Beneficiaries' access to care	Quality of care	Hospitals' access to capital	Medicare payments and LTCHs' costs
<ul style="list-style-type: none"><li>➤ Share of cases meeting criteria increased</li><li>➤ Supply decreased</li><li>➤ Occupancy decreased slightly</li><li>➤ Marginal profit increased</li></ul>	<ul style="list-style-type: none"><li>➤ No change in readmission and mortality rates</li><li>➤ Infection rates lower than expected</li></ul>	<ul style="list-style-type: none"><li>➤ Industry contraction reduced the need for capital</li><li>➤ All-payer margin increased</li></ul>	<ul style="list-style-type: none"><li>➤ Medicare margin for LTCHs with a high share of cases meeting the LTCH PPS criteria increased to 4.7 percent in 2018</li><li>➤ Projected 2020 margin: 3.7 percent</li></ul>
Mixed, as expected given changes in payment structure	Positive	Mixed, as expected given changes in payment structure	Positive