Introduction to the updates for post-acute care

Carol Carter

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MEDPAC

Commission work on PAC over the past decade

- Changes to payment policy
  - Updates to payments
  - Revisions to each setting's payment system
- Quality initiatives
  - Outcomes-based quality measures
  - Collection of uniform patient assessment information
  - Value-based purchasing

Payment policy goals and challenges

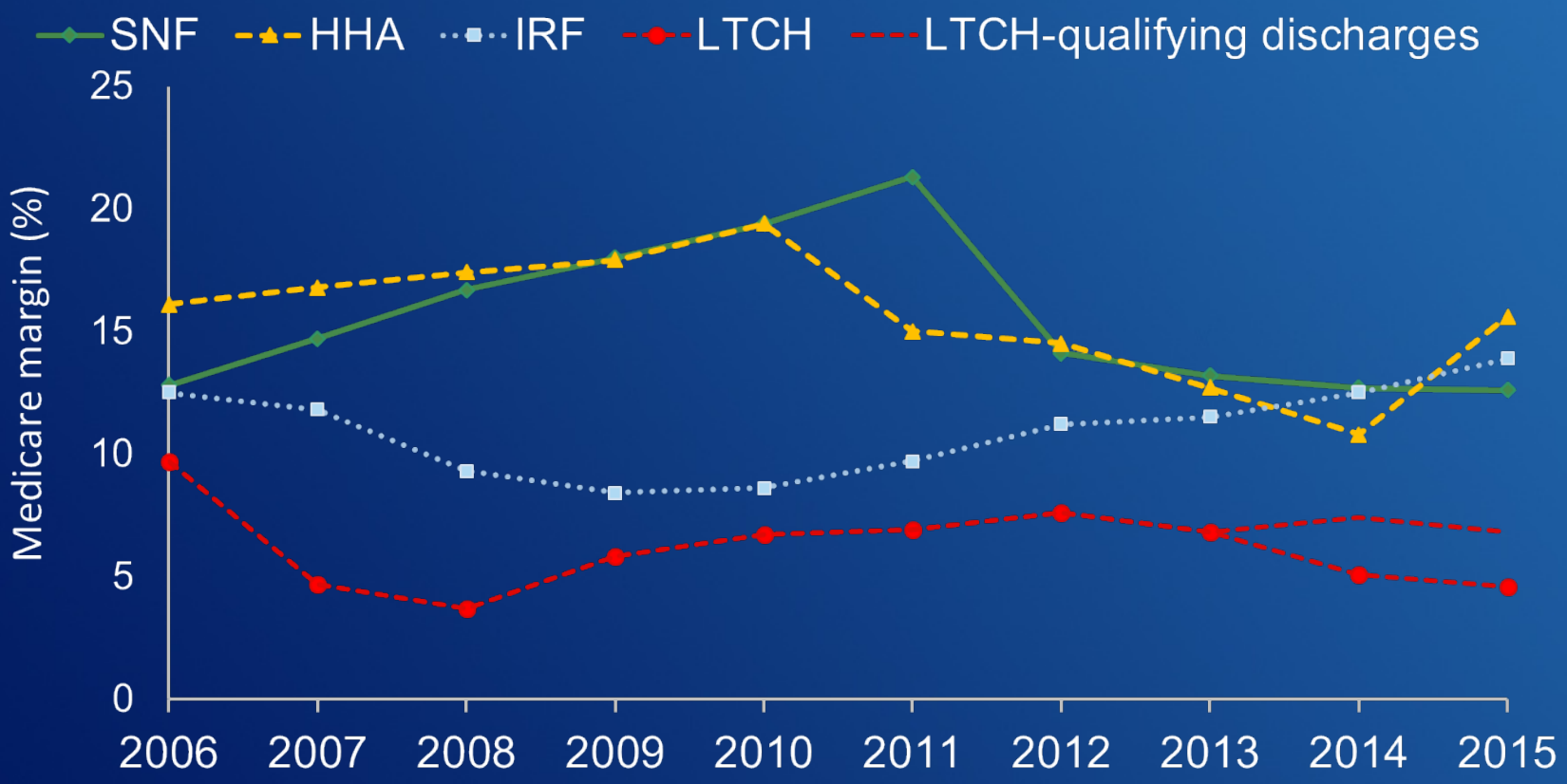
Goals

- Ensure aggregate program payments cover the costs to treat beneficiaries
- Ensure payments align with the costs of treating patients with different care needs

Challenges

- Wide variation in PAC use
- Need for PAC care is not always clear, limited evidence on the best care
- HHA and SNF PPSs encourages services unrelated to care needs
- No uniform assessment information to compare patients, costs, outcomes

PAC margins have been high for the past 10 years



Results are preliminary and subject to change.
Source: MedPAC analysis of Medicare cost report data from CMS.

Past Commission payment recommendations for post-acute care

Recommended action	SNF	HHA	IRF	LTCH
No update	X (each year since 2008)	X (each year since 2008)	X (each year since 2008)	X (each year since 2010)
Rebase payments	X (2012-2014)	X (each year since 2009)		
Revise PPS	X (each year since 2008)	X (each year since 2011)		

Table shows the year the Commission made the recommendation

Program spending would be lower if recommendations had been enacted

- Eliminate 2009 update for SNF and HHA: Would have lowered cumulative spending through 2016 by $11B
- This year's draft recommendations: Would lower spending by $33 billion over the next 10 years
- Revise HHA and SNF PPSs
  - Increase equity of payments across different types of patients and the providers that treat them
  - Dampen incentive to selectively admit certain types of patients

Assessing payment adequacy and updating payments: Skilled nursing facility services

Carol Carter

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Indicators of payment adequacy

- 15,000 SNFs furnished services to 2.4 million FFS stays
- Medicare FFS spending in 2015: $29.8 billion

- Access: Supply is steady; admissions increased slightly
- Quality of care: Some measured improved; others stable
- Access to capital: Adequate but getting tighter
- Medicare margin in 2015: 12.6%
  - Efficient providers: 19.4%
  - Marginal profit: over 20%
- Projected Medicare margin 2017: 10.6%

Data are preliminary and subject to change.

How should Medicare payments to SNFs change in 2018?

- Every year since 2008, MedPAC has recommended no payment increase and to revise the PPS
- Broad circumstances of SNFs have not changed
  - Payments to SNFs remain high relative to the costs of caring for beneficiaries
  - SNF PPS still needs to be revised

Assessing payment adequacy and updating payments: home health care services

Evan Christman

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MEDPAC

Home health care summary 2015

- $18.1 billion total expenditures
- Over 12,300 agencies
- 6.6 million episodes for 3.5 million beneficiaries

Home health indicators are positive, similar to results from prior years

- Access generally adequate
  - Over 12,300 providers in 2015; 99 percent of beneficiaries live in an area served by home health
  - Share of beneficiaries using service and volume of episodes increased slightly in 2015
- Quality measures demonstrate improvement in 2015
- Access to capital is adequate
- Margin for 2015: 15.6 percent
- Marginal profit for 2015: 18.1 percent
- Projected margin for 2017: 13.7 percent

Data are preliminary and subject to change.

Policy objective: Improve efficiency and reform incentives

- 2018: 5 percent reduction
- 2019: Reduce payments through a full rebasing that adequately addresses excessive payments, and:
  - Rebalance payments so agencies do not favor therapy services over non-therapy services
    - Current system links payment to number of therapy visits in an episode
    - Volume growth higher for episodes receiving these payments
    - Recommendation would eliminate therapy visits as a payment factor and base payment solely on patient characteristics.

Assessing payment adequacy and updating payments: Inpatient rehabilitation facility services

Dana Kelley

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MEDPAC

Inpatient rehabilitation facilities: Summary

- 1,180 IRFs treated 381,000 FFS cases in 2015
- Medicare FFS spending = $7.4B
- Access: Supply and volume remain steady
- Quality: Stable or improved since 2011
- Access to capital: Appears adequate
- Margin for 2015: 13.9%
  - Marginal profit: 30.7%
- Projected margin for 2017: 14.3%

Results are preliminary and subject to change.

How should Medicare payments to IRFs change in 2018?

- MedPAC has recommended no update each year since 2008 (for FY09 update)
- CMS is required to update payments by adjusted market basket increase
- Between 2009 and 2015:
  - Cumulative growth in cost per case: 8.3%
  - Cumulative growth in payment per case: 14.2%
- Payments to IRFs now substantially exceed the costs of caring for beneficiaries

Results are preliminary and subject to change.

Assessing payment adequacy and updating payments: Long-term care hospital services

Stephanie Cameron

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MEDPAC

Long-term care hospitals: Summary

- Medicare spending: $5.3 billion in 2015
  - Facilities: ~426
  - Cases: ~131,000
  - Mean payment per case: ~$41,000
- Access:
  - Many beneficiaries receive similar services in other settings
  - Volume declines continue
  - Occupancy stable
- Quality: Stable or improving for limited available aggregate measures
- Access to capital: Limited activity

Data are preliminary and subject to change.

Medicare margins

- 2015 total Medicare margin: 4.6%
- 2015 Marginal profit: 19.6%
- 2015 Medicare margin for qualifying cases: 6.8%
- 2017 Medicare margin for qualifying cases: 5.4%*

*This margin assumes a similar underlying cost structure for qualifying cases moving forward. The Commission's most conservative estimate assuming the relationship between costs and payments for qualifying cases reflects the current LTCH aggregate cost structure would result in a 2017 Medicare margin for qualifying cases equal to 3.2 percent.

The margins reflect current law policies. Results are preliminary and subject to change.
Source: MedPAC analysis of Medicare cost report and MedPAR data from CMS.

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