

Post-acute care: Increasing the equity of Medicare's payments within each setting

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An approach to increase the equity of payments within each setting

- A fully implemented PAC PPS would redistribute payments across conditions
- Prior to implementing the PAC PPS, use a blend of the setting-specific and unified PAC PPS relative weights to establish payments
- Within each setting, payments would be redistributed across conditions and, based on patient mix and therapy practices, across providers
- Total payments to each setting would remain at recommended level

Why blend the PAC PPS and setting-specific relative weights?

- Increase the equity of payments for patients within each setting before implementing a unified PAC PPS
- Begin to correct the known biases of current PPSs
- Give providers more time to make changes needed to be successful under PAC PPS
- Support update recommendations that more closely align payments to the cost of care

Assessing payment adequacy and updating payments: Skilled nursing facility services

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Skilled nursing facilities: Summary, 2016

- 15,000 SNFs
- 2.3 million FFS stays
- 4% of beneficiaries used SNF services
- Medicare FFS spending: \$29.1B

Results are preliminary and subject to change.

Indicators of SNF payment adequacy

- Access: Supply is steady, admissions and days declined
- Quality of care: Mixed performance
- Access to capital: Adequate
- Medicare margin in 2016: 11.4%
 - Efficient providers: 18.2%
 - Marginal profit: 19.6%
- Projected Medicare margin 2018: 9%

How should Medicare payments to SNFs change in 2019?

- Broad circumstances of SNFs have not changed
- Level of payment remains too high relative to the costs of caring for beneficiaries
- The PPS needs to be revised
- Wide variation in margins reflects differences in patient selection, service provision, and cost control

Assessing payment adequacy and updating payments: Home health care services

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January 11, 2018

Overview of home health care services, 2016

- \$18.1 billion total Medicare expenditures
- Over 12,200 agencies
- 6.6 million episodes for 3.4 million beneficiaries
- About 5 percent of FFS Medicare spending

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

- Access is adequate; share of beneficiaries using service and volume of episodes declined slightly in 2016 and supply remains high
- Quality: Functional measures show improvement in 2016; adverse events unchanged
- Access to capital is adequate
- Medicare margin for 2016: 15.5 percent
- Medicare marginal profit for 2016: 17.4 percent
- Projected Medicare margin for 2018: 14.4 percent
- Efficient provider median Medicare margin for 2016: 21.1 percent

Policy objective: Improve efficiency and reform incentives

- More closely align payments with costs
- 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

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January 11, 2018

Overview of inpatient rehabilitation facilities, 2016

- 1,200 IRFs
- 391,000 FFS stays
- Medicare FFS spending: \$7.7B

Indicators of IRF payment adequacy

- Access: Supply and volume remain steady
- Quality: Improved since 2011
- Access to capital: Adequate
- Medicare margin for 2016: 13.0%
 - Marginal profit: 29.8%
- Projected Medicare margin for 2018: 11.9%

How should Medicare payments to IRFs change in 2019?

- MedPAC recommended no payment increase for FY 2009–2017
- MedPAC recommended 5% reduction in payment rate for FY 2018
- CMS has been required to increase payments each year
- Payments to IRFs remain well above the costs of caring for beneficiaries

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

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Overview of long-term care hospitals, 2016

- Medicare spending: \$5.1 billion in 2016
- Facilities: ~407
- Cases: ~126,000
- Mean payment per case (all cases): ~\$41,000
- Mean payment per case (qualifying cases): ~\$47,000

Indicators of LTCH payment adequacy

- Access:
 - Many beneficiaries receive similar services in other settings
 - Occupancy stable (~66 percent)
 - Volume declines continue (~-5 percent)
- Quality: Stable or improving for limited available aggregate measures
- Access to capital: Continued near-term uncertainty
- Medicare margins:
 - 2016 margin for all cases: 4.1 percent
 - 2016 margin for qualifying cases: 6.3 percent
 - 2016 marginal profit for all cases: 19.5 percent
 - 2018 projected margin for qualifying cases: 4.7 percent