Assessing payment adequacy: Long-term care hospital services

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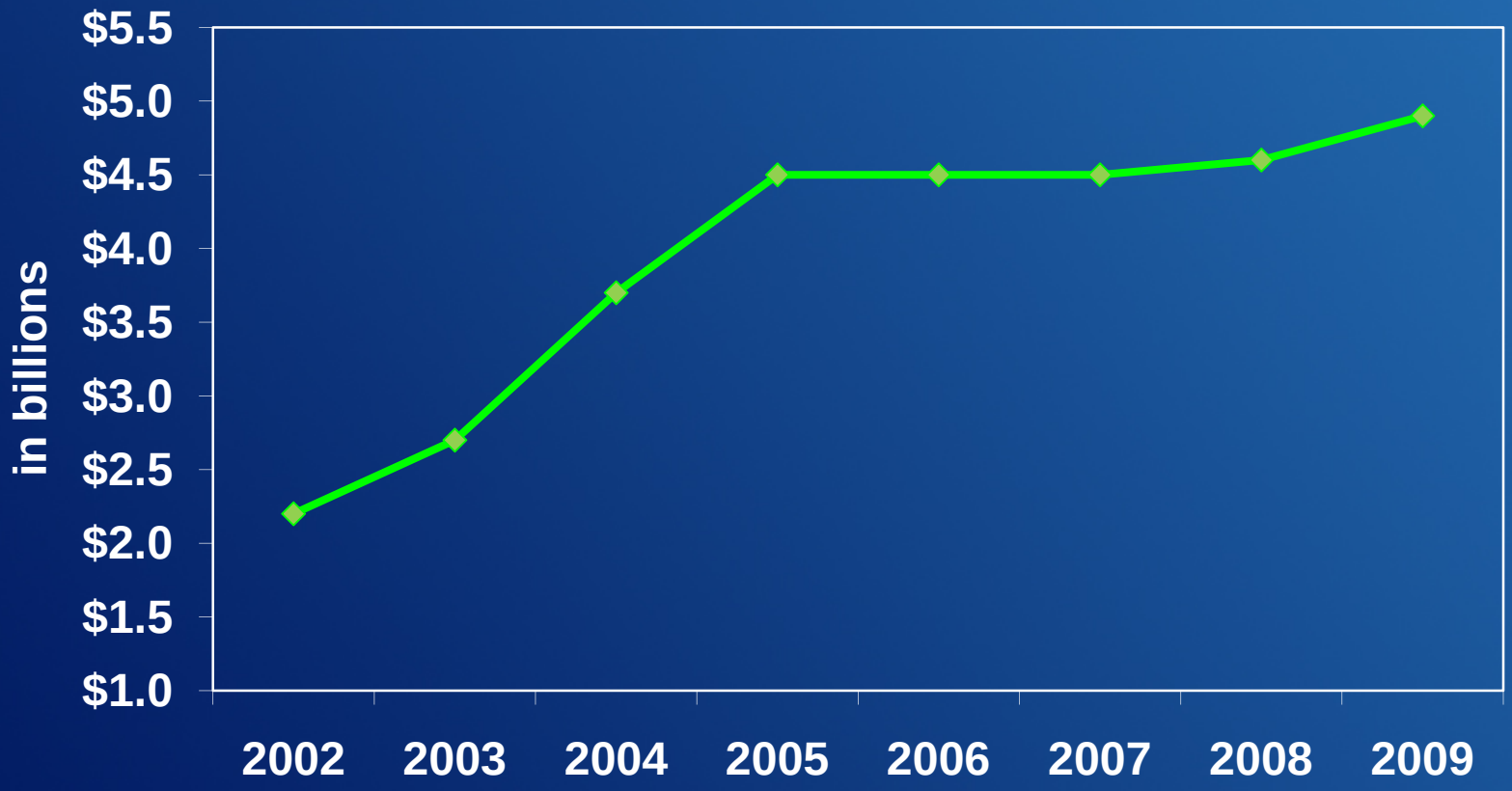
MEDPAC

Long-term care hospitals

- Provide hospital-level care
- Must have ALOS > 25 days for Medicare patients
- Medicare spending: $4.9 billion in 2009
  - Cases = 131,500
  - Payment per case = $37,500
- Adjusted payments for:
  - Outliers (high cost, short-stay)
  - Admissions from host hospitals of HWHs and satellites (the 25 percent rule)

Medicare spending for LTCH services, 2002-2009



Results are preliminary and subject to change.

Source: MedPAC analysis of MedPAR data from CMS.

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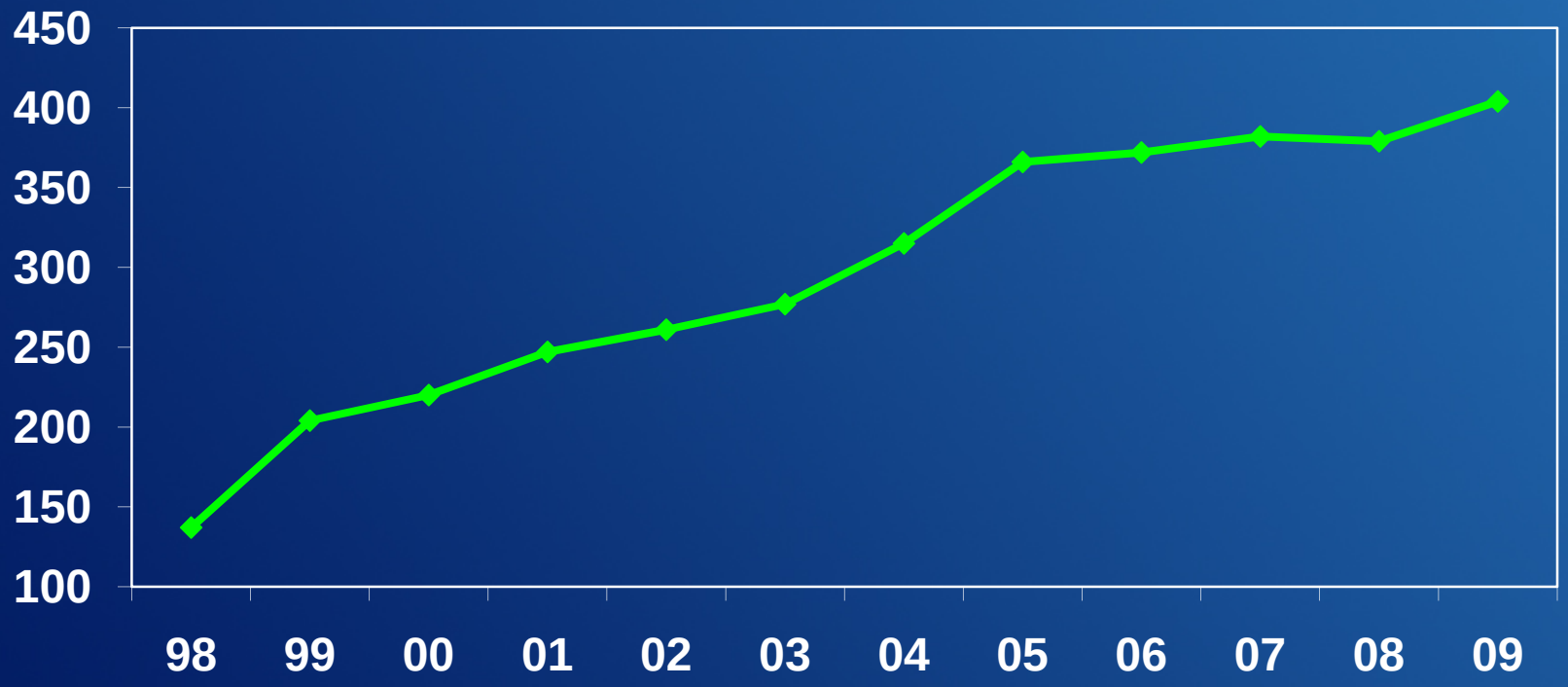
Recent legislation affecting LTCHs

- Regulatory relief from 25% rule & SSO payment cuts until FY/CY 2013
- Moratorium on new LTCHs, CY 2008−2012
- CMS report to Congress on LTCH criteria
- Reductions to annual update:
  - FY10: ¼ point beginning 4/1/10
  - FY11: ½ point
- Mandated pay-for-reporting program beginning FY14

Number of LTCHs increased in 2009



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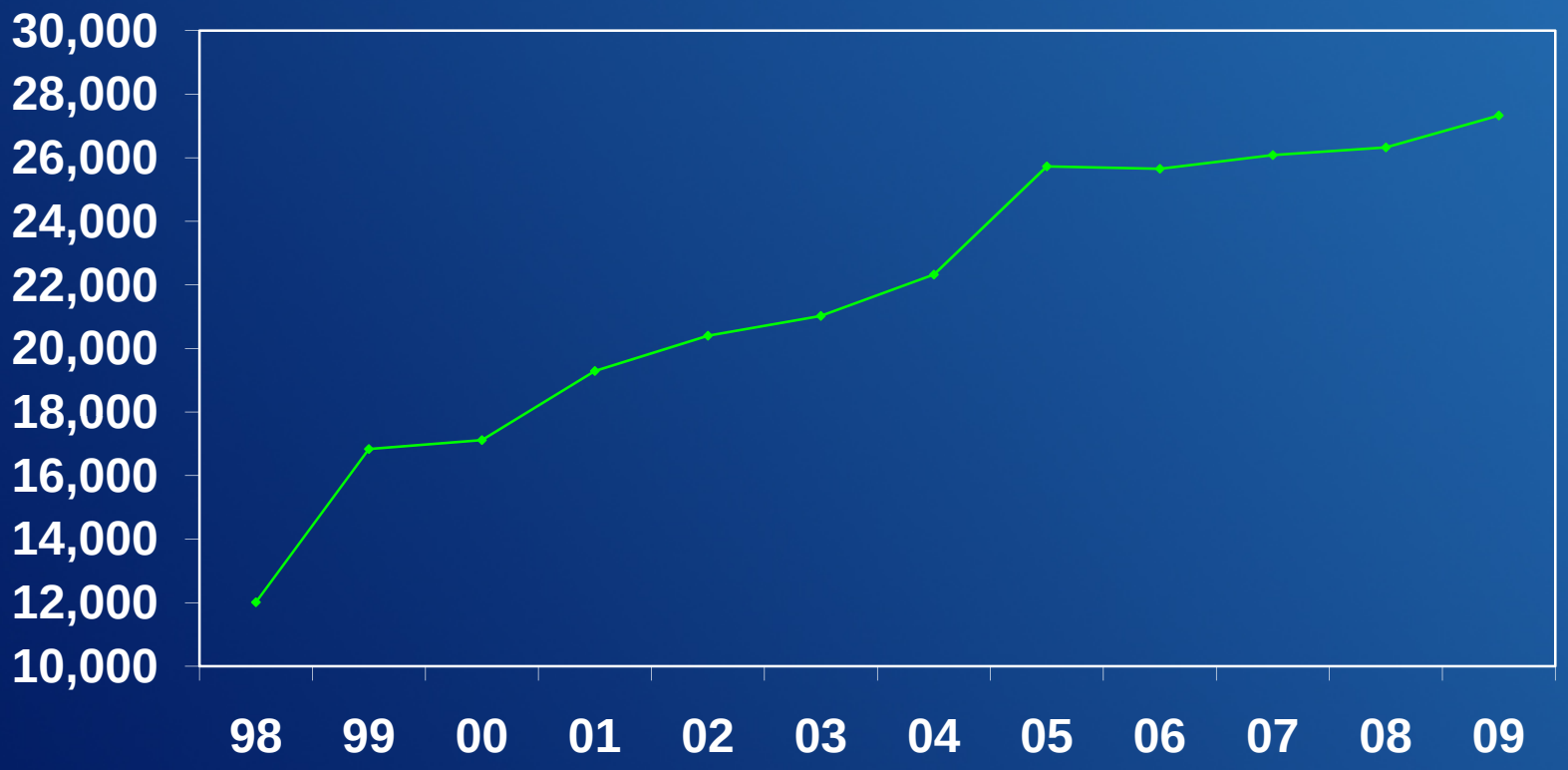
Number of LTCH beds increased in 2009



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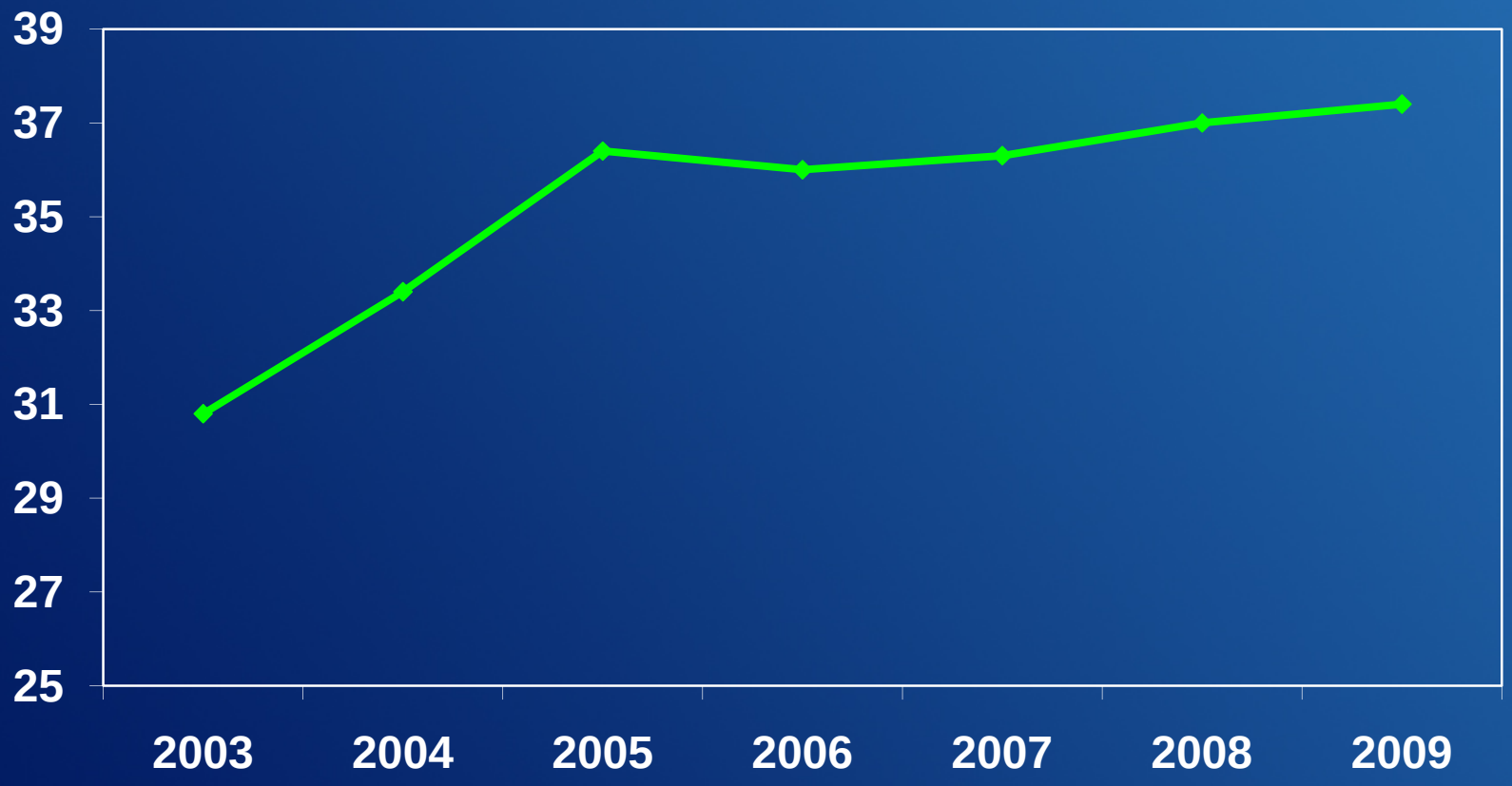
LTCH cases per 10,000 FFS beneficiaries, 2003-2009



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Source: MedPAC analysis of MedPAR data from CMS.

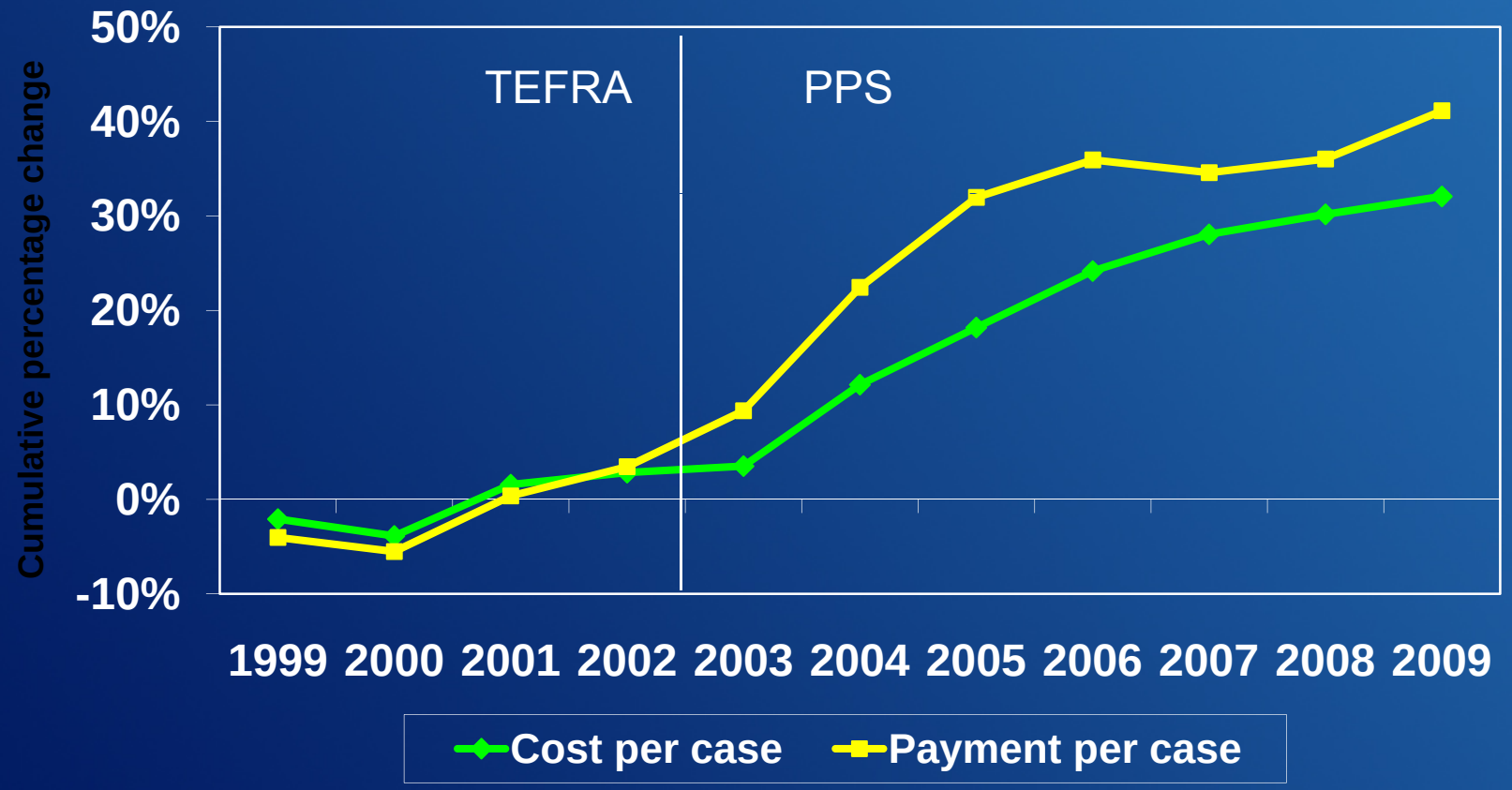
Quality

- LTCHs do not submit quality data to CMS
- Readmission rates and mortality rates stable or declining for most of the top 20 diagnoses

Access to capital

- Three largest LTCH chains:
  - Opened new LTCHs
  - Acquired existing LTCHs
  - Acquired other PAC providers
- Moratorium on new beds and facilities should begin to reduce opportunities for expansion

Cumulative change in LTCHs' payments and costs per case, 1999-2009



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

LTCH Medicare margins, 2000 to 2009

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Source: MedPAC analysis of Medicare cost report data from CMS.

Distribution of LTCHs' Medicare margins, 2005 and 2009

	% of LTCHs	% of cases	2005 margin	2009 margin
All LTCHs	100%	100%	11.9%	5.7%
25th	25	17	-3.7	–6.4
75th	25	27	19.0	14.1
For-profit	76	81	13.0	7.3
Nonprofit	19	16	9.1	−0.2
Government	5	2	n/a	n/a

Government-owned facilities' margins are not presented because the number of these facilities is very small. Percentages may not sum to 100% due to rounding. Results are preliminary and subject to change.

Source: MedPAC analysis of Medicare cost report data from CMS.

High- and low-margin LTCHs, 2009

	High-margin LTCHS	Low-margin LTCHs
Standardized cost per discharge	$26,123	$37,647
Medicare payment per discharge	$38,635	$37,094
Mean total discharges (all payer)	533	410
Outlier payment per discharge	$1,455	$3,887
Short-stay cases	27%	35%
For-profit	92%	70%

Includes LTCHs that filed valid cost reports in both 2008 and 2009. Results are preliminary and subject to change.

Source: MedPAC analysis of Medicare cost report and MedPAR data from CMS.

Panel on LTCH quality

- PPACA mandates pay-for-reporting by FY14
- Panel participants included:
  - Clinicians
  - LTCH administrators & medical directors
  - Quality measurement experts
  - Researchers

Suggested outcome measures (initial set)

- Unplanned readmission to acute care hospital
- In-facility mortality
- Mortality within 30 days of discharge

Suggested patient safety measures (initial set)

- Health-care associated infections
  - UTI
  - Ventilator-associated pneumonia
  - Central line-related blood stream infections
- LTCH-acquired decubitus ulcers
- Falls with injury
- Medication errors & adverse reactions
- Staffing

Suggested process measures (initial set)

- Meaningful use of EHR
- Advanced care planning/end-of-life discussion
- Polypharmacy
- Ventilator weaning protocol

Other issues discussed by panelists

- Risk adjustment
  - Inappropriate for patient safety measures
  - “Present on admission” indicator
  - Necessary for outcome measures but:
    - Risk variation in LTCHs generally less than in other settings
- Data collection
  - Initial measures calculated using administrative data
  - Expanded set of measures with CARE tool