

Advising the Congress on Medicare issues

Assessing payment adequacy: Skilled nursing facilities

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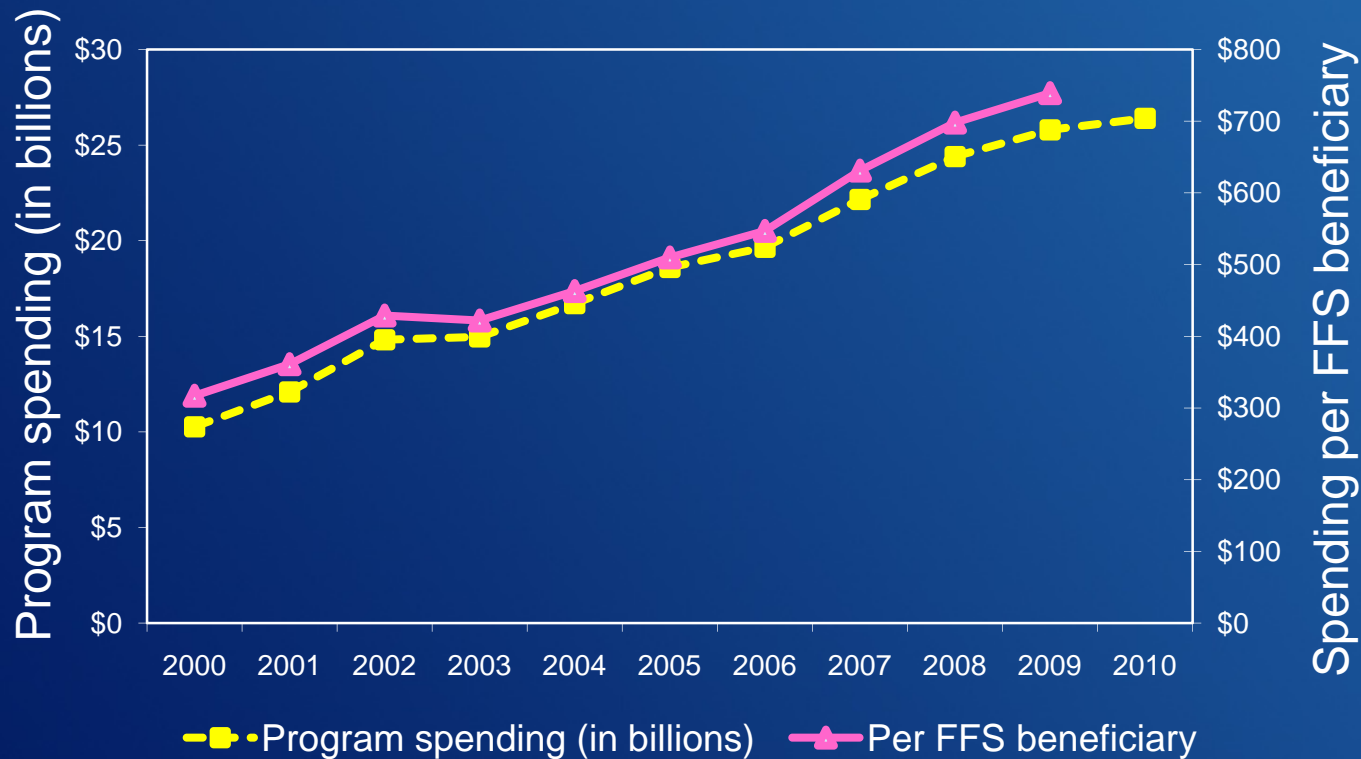
Skilled nursing facilities: providers, users, and Medicare spending

- Providers: 15,096
- Beneficiary users: 1.6 million
- Medicare spending: \$26.4 billion

Payment adequacy framework

- Access
 - Supply of providers
 - Volume of services
- Quality
- Access to capital
- Payments and costs

Spending on SNFs continues to increase



Data are preliminary and subject to change.

Source: CMS, Office of the Actuary.

Access appears stable for most beneficiaries but concerned about subgroups

- Supply is stable
- Bed days available increased
- Occupancy rate declined slightly
- Slight decline in covered days and admissions, reflecting lower hospital use
- Fewer SNFs treat medically complex patients
- Racial minorities had lower admission rates than whites but longer stays

Trends in service use and previous recommendations to revise PPS

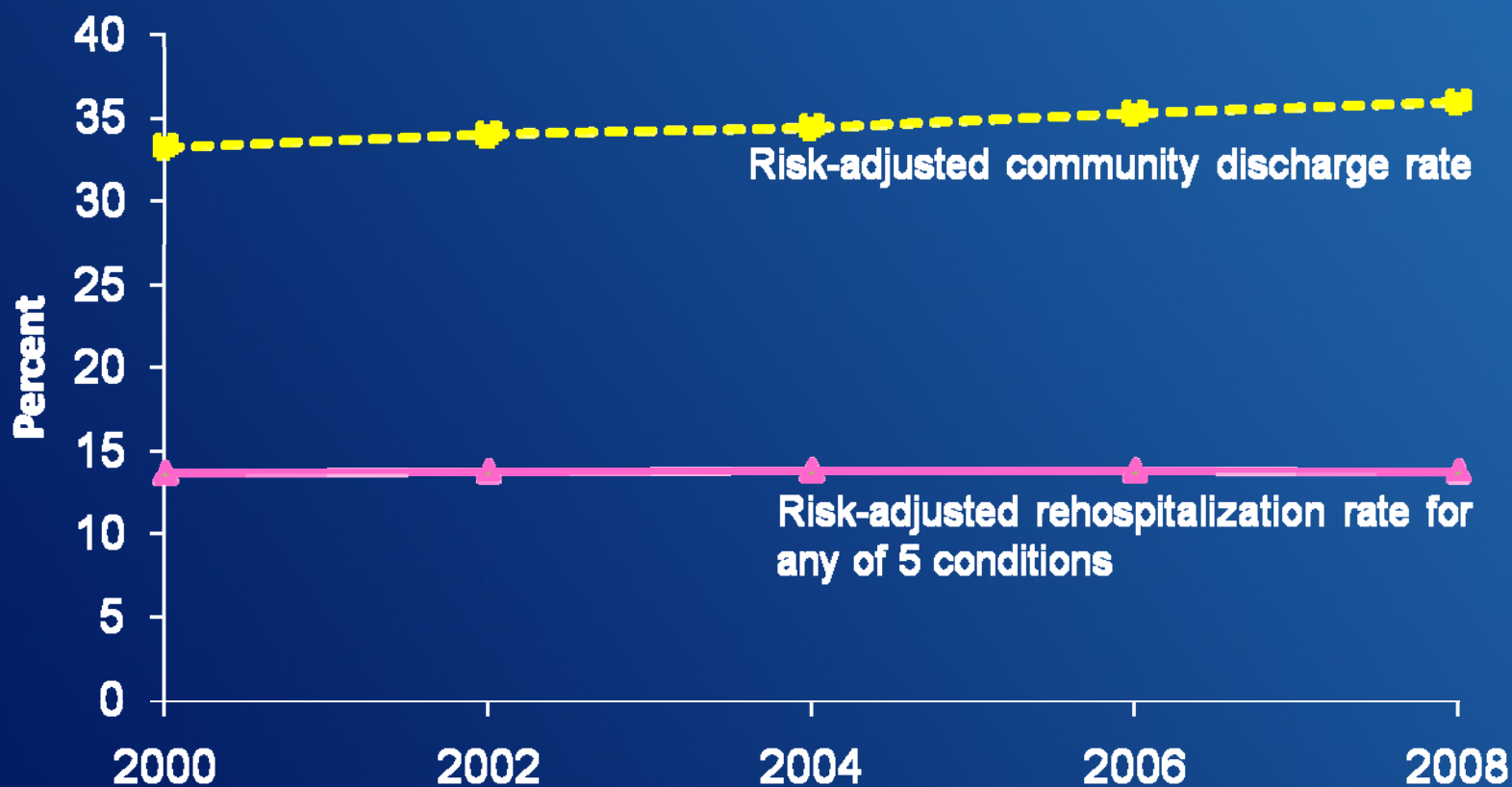
Trend

- Fewer SNFs treat medically complex
- More intensive rehabilitation

Outstanding recommendation

- Add separate NTA payment to PPS
- Revise therapy component
- Outlier policy

SNF quality mixed since 2000 and virtually unchanged from 2007



Source: Analysis of DataPro data by the University of Colorado Health Sciences Center.
Data are preliminary and subject to change.

Considerable variation in risk-adjusted quality measures across SNFs

	Percentile		
	10 th	50 th	90 th
Community discharge	16.0%	35.2%	52.3%
Rehospitalization for any of 5 conditions	8.5	14.1	20.4

*Source: Analysis of DataPro data by the University of Colorado Health Sciences Center.
Data are preliminary and subject to change.*

Capital is more available than last year

- Assess lending to nursing homes
- Capital availability improved since last year
- Despite uncertain state budgets and poor economy, sector remains resilient
- Medicare continues to be a preferred payer

2009 freestanding aggregate SNF Medicare margins

<u>SNF type</u>	<u>Margin</u>
All	18.1%
Urban	18.0
Rural	18.7
For profit	20.3
Nonprofit	9.5

*Source: MedPAC analysis of freestanding SNF Medicare cost report data.
Data are preliminary and subject to change.*

Distribution of 2009 SNF Medicare margins

Percentile				
<u>10th</u>	<u>25th</u>	<u>50th</u>	<u>75th</u>	<u>90th</u>
-4.1%	8.8%	18.7%	26.7%	34.2%

- Share of SNFs with negative margins: 14 percent
- Aggregate total (all payer, all lines of business) margin: 3.5 percent

*Source: MedPAC analysis of freestanding SNF Medicare cost report data.
Data are preliminary and subject to change.*

Low-margin SNFs had higher relative costs and lower payments compared to high-margin SNFs

Higher costs

- Cost per day: 41 percent higher
- Lower average daily census
- Shorter stays

Lower payments

- Payments per day: 7 percent lower
- Smaller share intensive rehabilitation days
- Smaller Medicare share of total facility revenue

*Source: MedPAC analysis of freestanding SNF Medicare cost report data.
Data are preliminary and subject to change.*

Performance of efficient and other SNFs

	Efficient (<u>9%</u>)	Other (<u>91%</u>)
Cost per day in 2008 (relative to avg.)	0.90	1.01
Community discharge in 2008	1.29	0.97
Rehospitalization in 2008	0.84	1.02
Medicare margin in 2008 (median)	21.8%	17.4%
Percent with low cost growth 2001-09 (bottom third)	11%	89%
Percent with high revenue growth 2001-2009 (top third)	11%	89%

Source: MedPAC analysis of quality measures from the University of Colorado Health Sciences Center and freestanding SNF Medicare cost report data. Data are preliminary and subject to change.

Summary: Medicare payments for SNF services appear adequate

- Access is stable
- Quality is stable
- Capital is available
- Margin for 2009: 18.1%

*Source: MedPAC analysis of freestanding SNF Medicare cost report data.
Data are preliminary and subject to change.*

Previous recommendations related to payments

- Revise the SNF PPS
 - Add a separate NTA component
 - Base therapy component payments on predicted patient care needs
 - Add an outlier policy
- Establish a quality incentive payment policy