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

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Long-term care hospitals

- Provide hospital-level care for extended periods
- Must have Medicare ALOS > 25 days
- Medicare spending: $5.5 billion in 2012
  - Facilities = 420
  - Cases = 140,500
  - Mean payment per case = $39,500
- Per case payments based on MS-LTC-DRGs, adjusted for:
  - Outliers (high cost, short-stay)
  - 25 percent rule

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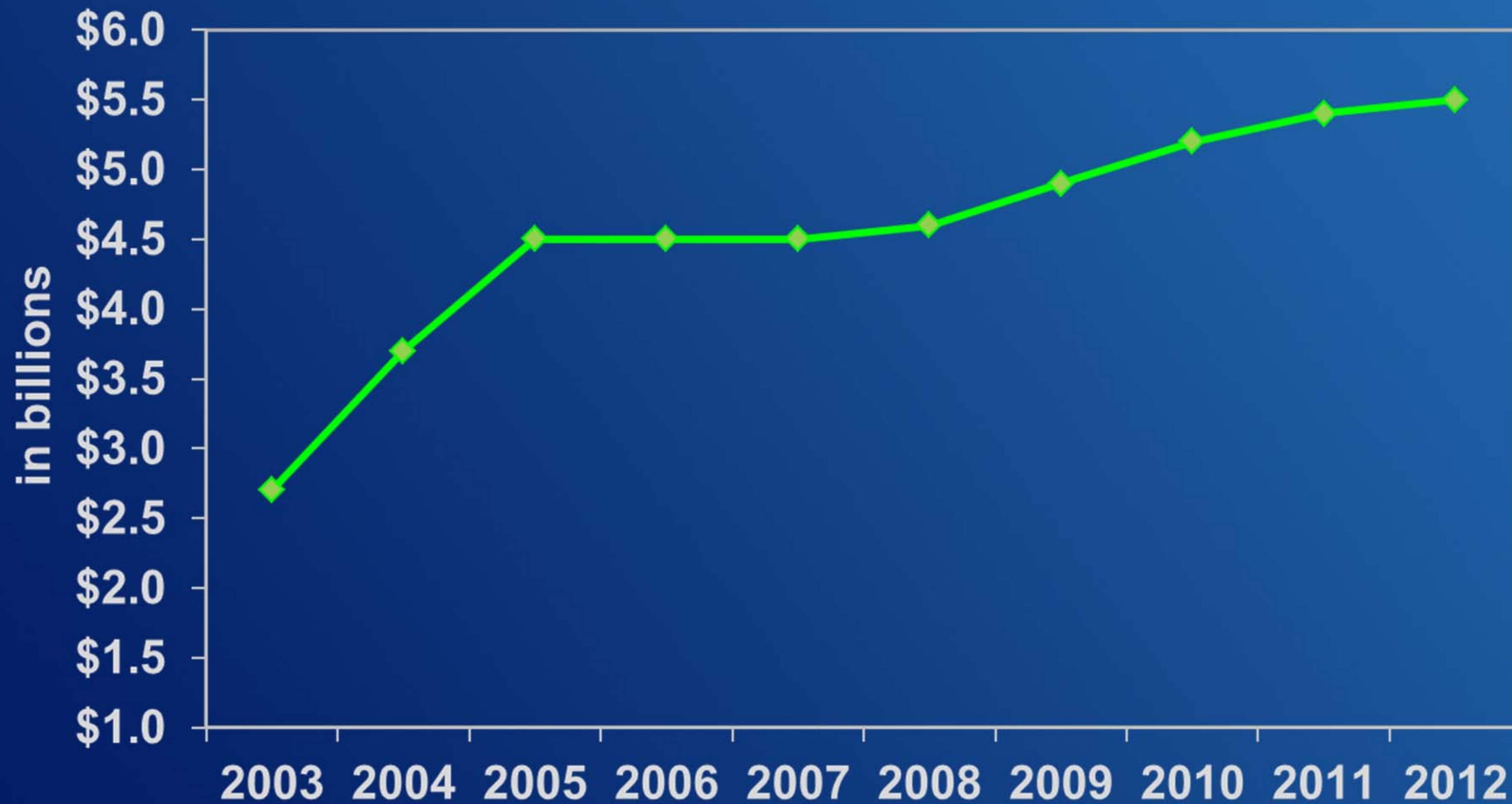
Medicare spending for LTCH services, 2003-2012



Results are preliminary and subject to change.

Source: MedPAC analysis of MedPAR data from CMS.

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Payment adequacy framework

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

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Access to care

- Change in supply and use of services
- Difficult to assess the need for LTCH services:
  - No established criteria for admission
  - Many beneficiaries live in areas without LTCHs and receive similar care in other settings
  - Outcomes comparable to those for similar patients in other settings

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Moratorium stabilized growth in LTCHs & beds

Results are preliminary and subject to change.

Source: MedPAC analysis of cost report data from CMS.

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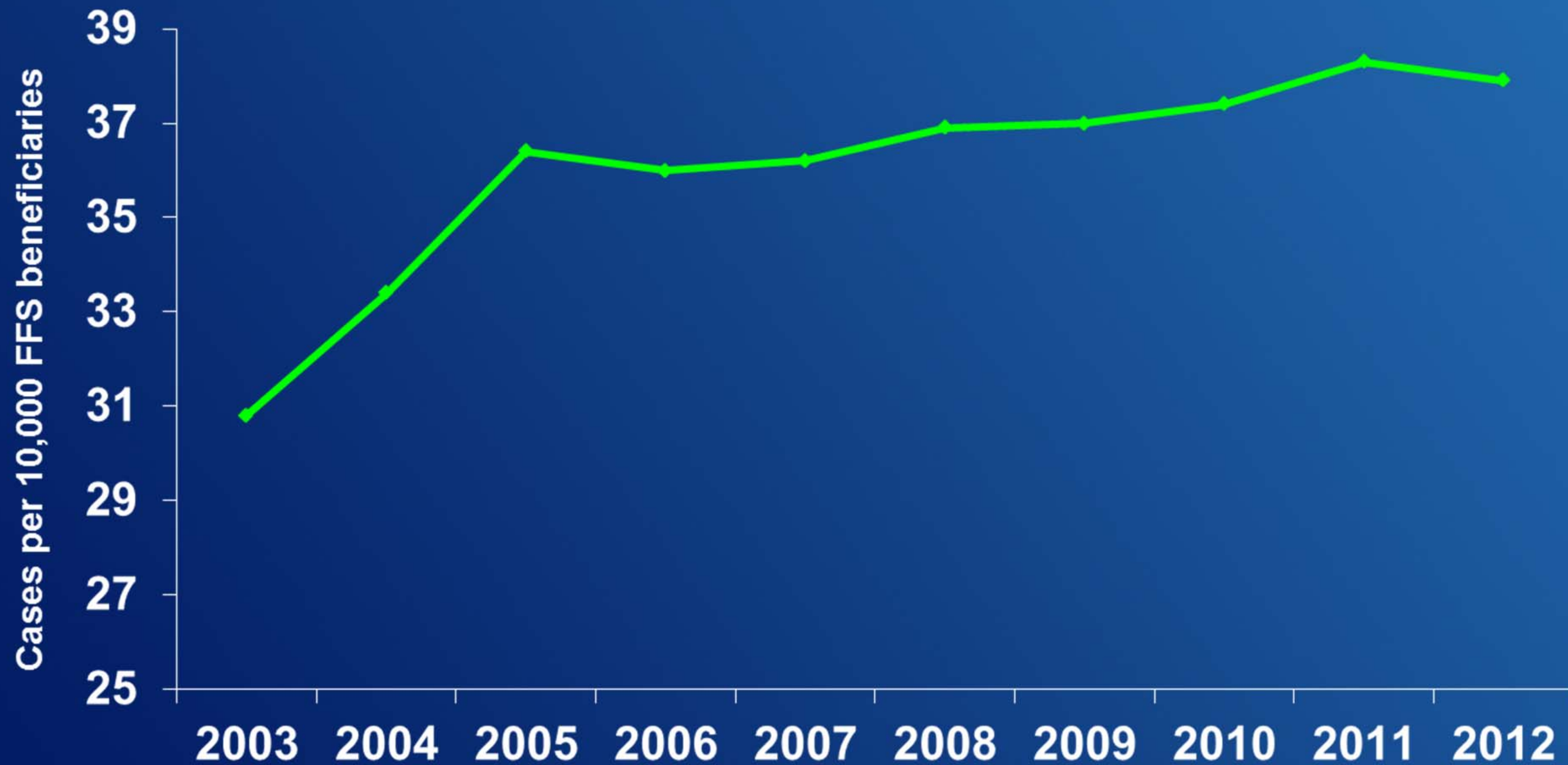
Volume of LTCH services declined one percent



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Quality: Stable for limited available measures

- Readmission and mortality rates stable or declining for most of the top diagnoses
- LTCH mortality:
  - 25% die in LTCH or within 30 days of discharge; varies by case type:
    - Septicemia w/ prolonged mechanical ventilation = 50%
    - Cellulitis w/o major complications or comorbidities = 4%
- Pay-for-reporting program begins FY14
  - Catheter-associated urinary tract infections
  - Central-line associated bloodstream infections
  - New or worsened pressure ulcers

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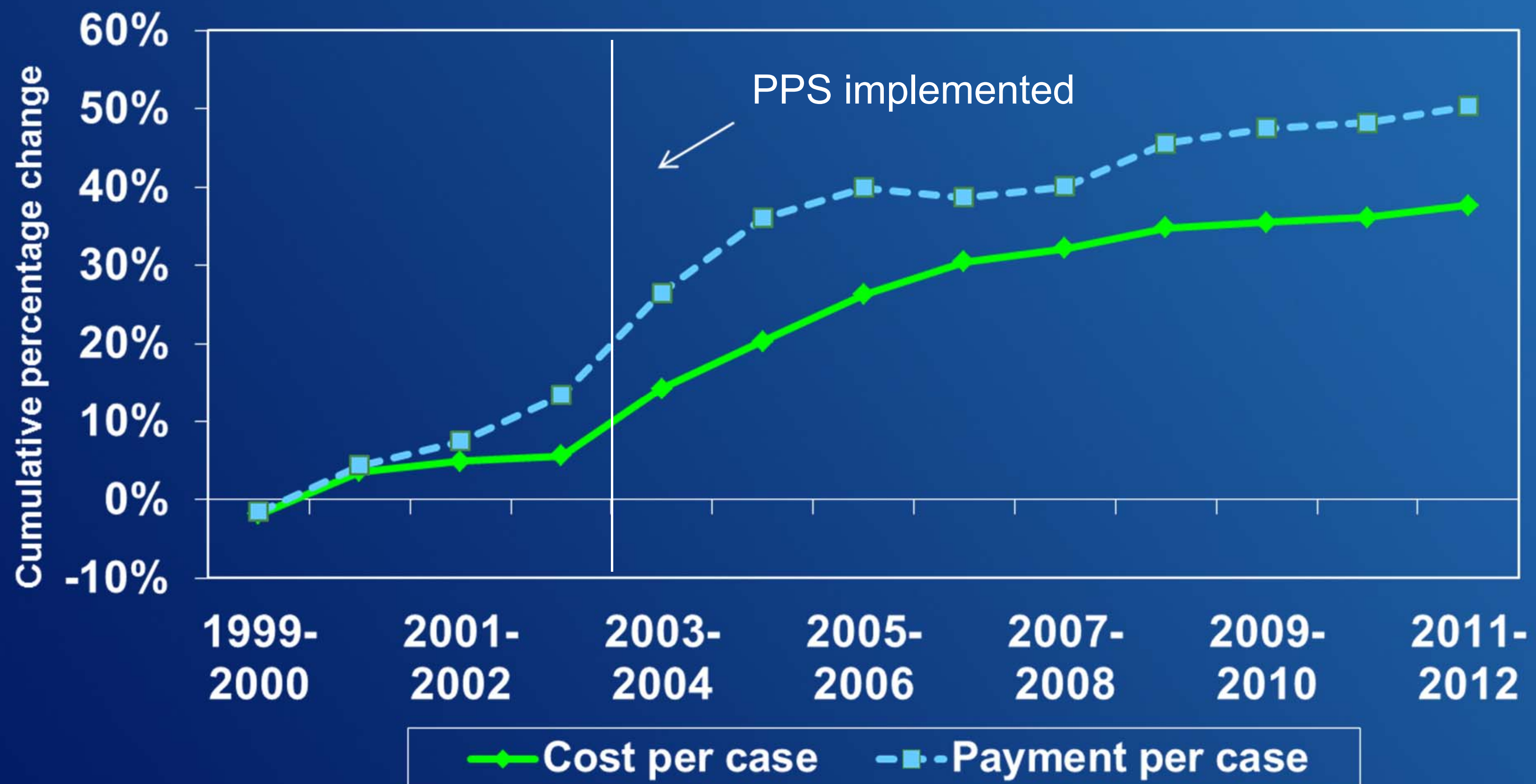
Access to capital: Industry taking a "wait and see" approach

- 5-year moratorium on new facilities expired December 2012
- Uncertainty about regulatory oversight and possible Congressional action continues to limit activity
- Some LTCHs continue to diversify in preparation for possible policy changes

Growth in LTCHs' per case payments outpaces cost growth



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

LTCH Medicare margins, 2012

	% of LTCHs	% of cases	Margin
All LTCHs	100%	100%	7.1%
Bottom 25th	25	19	–12.8
Top 25th	25	26	20.5
Urban	94	95	7.2
Rural	6	4	3.4
For-profit	77	84	8.9
Nonprofit	19	14	−1.4

Government-owned LTCHs are not shown. Percentages may not sum to 100% due to rounding. Results are preliminary and subject to change.

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

High- and low-margin LTCHs, 2012

	High-margin LTCHs	Low-margin LTCHs
Mean total discharges (all payer)	510	409
Occupancy rate	76%	56%
Standardized cost per discharge	$28,356	$38,743
Medicare payment per discharge	$39,405	$39,605
High-cost outlier payment per discharge	$1,311	$4,980
Short-stay cases	25%	30%
Mean case mix index	1.13	1.05
For-profit share of facilities	91%	66%

Includes LTCHs that filed valid cost reports in both 2011 and 2012. Government-owned facilities are excluded from this analysis. Results are preliminary and subject to change.
Source: MedPAC analysis of Medicare cost report and MedPAR data from CMS.

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