Advising the Congress on Medicare issues

Implementing a unified payment system for post-acute care

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MEDPAC

Timetable for a PAC PPS considered in the IMPACT Act of 2014

- MedPAC report June 2016
  - Recommend features of a PAC PPS and estimate impacts
- Collection of uniform patient assessment information beginning October 2018
- Subsequent reports:
  - Secretary’s report using 2 years’ assessment data (2022)
  - MedPAC report on a prototype design (2023)
- Unlikely that a PAC PPS would be proposed before 2024 for implementation sometime after that
- The IMPACT Act does not require implementation of a PAC PPS

Why implement a unified PAC PPS?

- Creates a uniform payment system for similar patients treated in any PAC setting
- Bases payments on patient characteristics, not where patients are treated
- Eliminates biases in the current HHA and SNF PPSs that favor treating some conditions over others

MedPAC's key conclusions and design features of a PAC PPS in June 2016 report

Conclusions:

- PAC PPS was feasible and could be implemented sooner than outlined in IMPACT Act
- Include functional assessment data into the risk adjustment when these data become available
- Begin to align regulatory requirements

Design features:

- Common unit of service and risk adjustment method
- Adjust payments for home health episodes
- Include short-stay and high-cost outlier policies

Implementation issues

- Transition to PAC PPS
- Level of aggregate PAC payments
- The need to make periodic refinements to the PPS

Likely impacts of a PAC PPS

- Updated the costs and payments for 2013 PAC stays to 2017
- Estimated average payment per stay is 14% higher than the average cost
- Confirmed our estimated impacts:
  - Payments would be redistributed across stays
    - From stays with high amounts of therapy unrelated to a patient's condition to medical stays
  - Equity of payments would increase
    - Smaller disparities in relative profitability across different types of stays

Transition to a PAC PPS

- Blends setting-specific PPS and PAC PPS rates over multiple years
- Dampens the changes in average payments during the phase-in period
  - Delays redistribution and extends the current inequities in SNF and HHA PPSs
  - Gives providers time to adjust their costs and practices
- Size and variation in the changes in payments suggest the need for a transition
- Transition could be relatively short
  - Providers whose payments would be lowered are more likely to have above-average profits, and vice versa

Results are preliminary and subject to change.

Option to bypass the transition and move directly to PAC PPS payments

- Providers whose payments will increase under a PAC PPS are likely to elect this option
- Differing opinions about a transition
  - Pro: Quicker shift to payments that reflect patient characteristics; more equitable payments across stays
  - Con: Raise total spending during transition
- Could lower level of spending to counter this increase

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Level of aggregate PAC PPS payments

- Average PAC payment estimated to be 14% higher than the average cost of care
- Consistent with previous MedPAC recommendations, the level of payments should be lowered
- Modeled reductions of 2 to 5%
- Average payments would be 9-12% higher than the average cost of stays

Even with a 5% reduction to payments, the average payment would remain higher than the average cost of stays

Clinical group	2% reduction	5% reduction
All stays	1.12	1.09
Cardiovascular medical	1.13	1.09
Orthopedic medical	1.13	1.09
Orthopedic surgical	1.12	1.08
Respiratory medical	1.12	1.09
Other neurology medical	1.13	1.10
Serious mental illness	1.12	1.09
Severe wounds	1.13	1.09
Multiple body systems	1.12	1.08
Chronically critically ill	1.12	1.08

Results are preliminary and subject to change.

Periodic refinements to the PAC PPS and rebase payments

- As with prior payment policy changes, providers will change their costs, patient mix, and practice patterns to maintain or increase their profitability
- Refinements to the PPS:
  - Revise the relative payments across stays
  - Rebase payments if the costs of care change
- Periodic refinements are part of the on-going maintenance of any PPS

Conclusions

- A PAC PPS could be implemented as soon as 2021
- Functional assessment data should be incorporated into the risk-adjustment method when it becomes available
- The implementation should include a short transition
- The level of PAC spending should be lowered
- Concurrently, the Secretary will need to begin to align setting-specific regulatory requirements
- The Secretary will need the authority to revise and rebase payments