

# Assessing payment adequacy: Long-term care hospital services

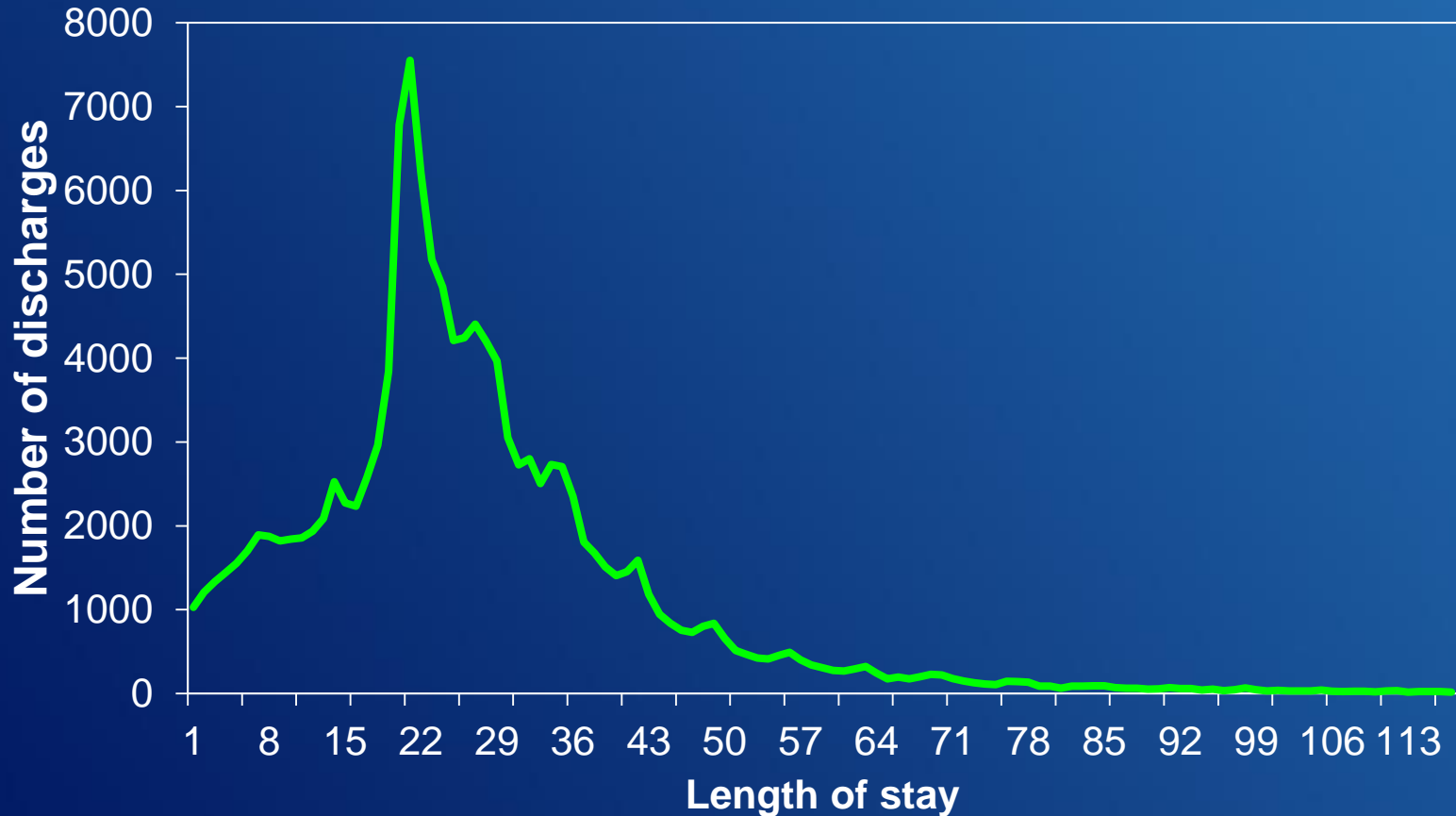
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# Long-term care hospitals, 2010

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- Users: 118,300 beneficiaries
- Cases: 134,700
- Spending: \$5.2 billion
- Providers: 412
- Payment: per discharge, using MS-LTC-DRGs

# Distribution of length of stay, all MS-LTC-DRGs, 2010



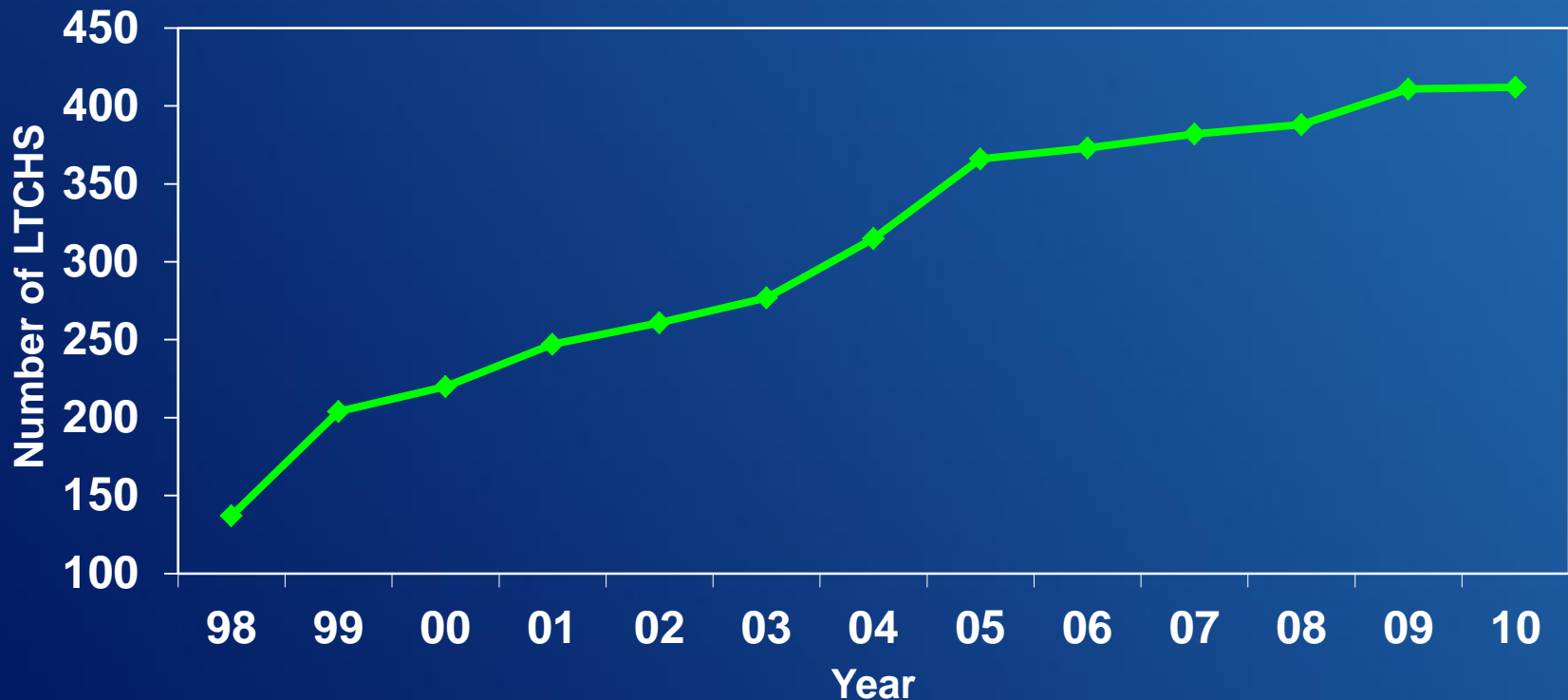
Source: MedPAC analysis of MedPAR data from CMS.

# Access to care

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- Change in capacity and use of services
- Difficult to assess access to LTCH services:
  - No established criteria for admission
  - Many beneficiaries live in areas without LTCHs and receive similar care elsewhere

# Growth in the number of LTCHs slowed in 2010



Results are preliminary and subject to change.

Source: MedPAC analysis of cost report data from CMS.

# LTCH cases per 10,000 FFS beneficiaries, 2003-2010



# Quality

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- LTCHs do not submit quality data to CMS
- Readmission rates and mortality rates stable or declining for most of the top diagnoses
- Mandated pay-for-reporting program beginning FY14

# Access to capital

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- Largest LTCH chains
  - Acquired existing LTCHs
  - Acquired other PAC providers
- Moratorium on new beds and facilities limits opportunities for expansion



# LTCH Medicare margins, 2010

	% of LTCHs	% of cases	Margin
All LTCHs	100%	100%	6.4%
25 <sup>th</sup>	25	20	-2.9
75 <sup>th</sup>	25	28	14.6
Urban	93	96	6.7
Rural	7	5	-0.5
For-profit	76	84	8.0
Nonprofit	19	15	-1.2
Freestanding	62	70	5.6
HWH	38	30	8.1

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.

# Policy changes for modeling 2012 margins

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- 2011 update: market basket minus
  - Adjustment for coding changes
  - 0.5 percentage point (PPACA)
- 2012 update: market basket minus
  - 1.1 percentage point (PPACA)
- Increased payments due to changes in outlier payments
  
- Projected margin for 2012: 4.8 percent

# Expected policy changes in 2013

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Expiration of:

- 25% rule freeze
- very short-stay outlier payment freeze
- moratorium on new LTCHs