Advising the Congress on Medicare issues

Mandated report: Serving rural Medicare beneficiaries

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MEDPAC

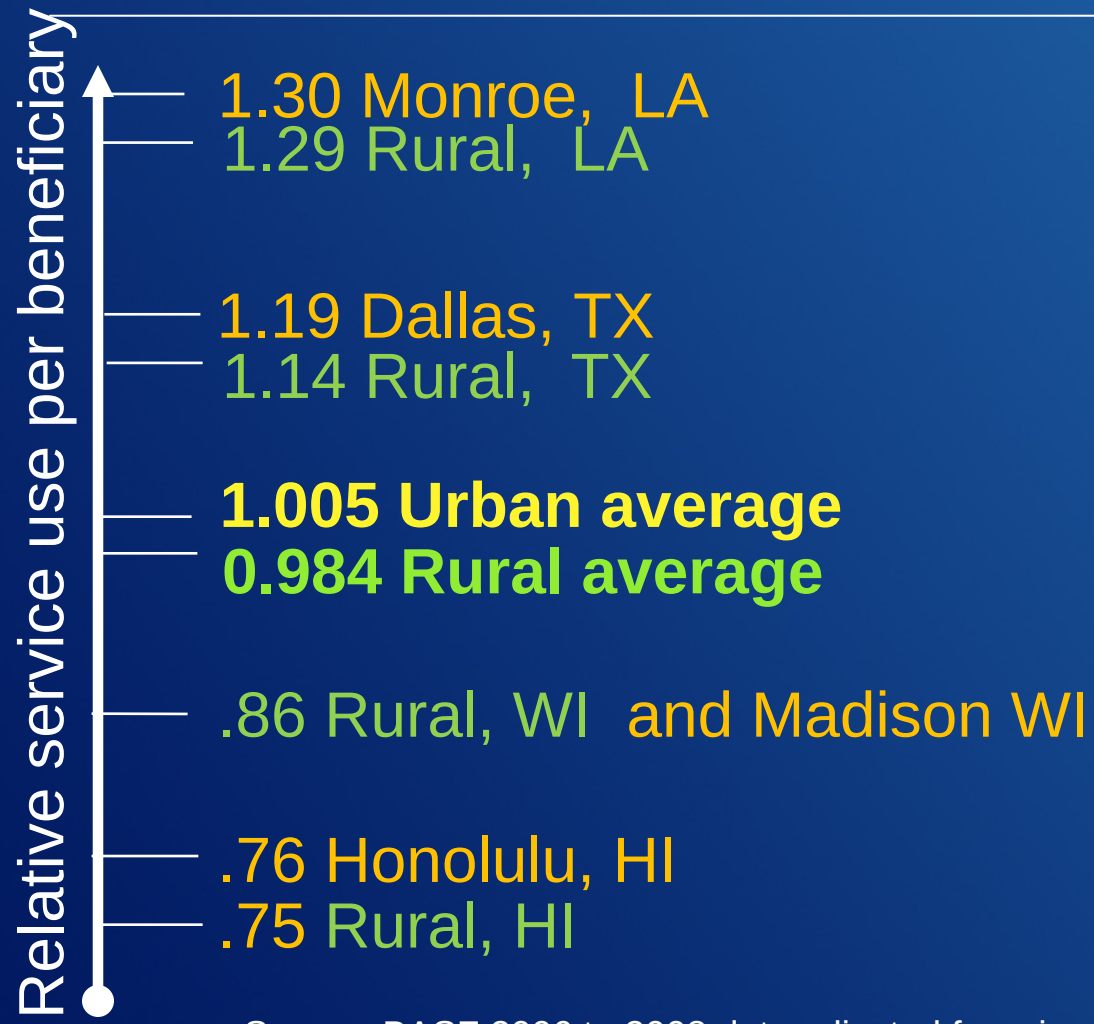
PPACA-mandated topics in the rural report

- Access to care
- Quality of care
- Adequacy of rural payments
- Payment adjustments
- Final report due date is June 2012

Findings on rural access to care

- There are fewer physicians per capita in rural areas; recruitment continues to be a challenge
- Volume of services per beneficiary is roughly equal in rural and urban areas
  - Rural beneficiaries receive about 30% of their care in urban facilities
  - Some rural residents travel farther, but average travel times are not substantially different (about 7 minutes more)
  - Travel times vary (41% of rural versus 25% of urban residents travel for ≥ 30 minutes for medical care)
- Rural and urban beneficiaries' satisfaction with their access is roughly equal

Regional differences in Medicare service use exceed urban/rural differences



Source: BASF 2006 to 2008 data adjusted for prices and health status

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Guiding principles for rural access to care

- Rural Medicare beneficiaries should have equitable access to health care services
- Equity in access:
  - Can be measured by number of visits or services, and beneficiaries' experience
  - Some rural beneficiaries may have to travel longer distances than some urban beneficiaries

Findings on rural quality of care

- Similar quality across rural and urban areas for:
  - Skilled nursing facilities
  - Home health agencies
  - Outpatient dialysis facilities
- Hospital quality is mixed
  - Readmissions are roughly equal between urban and rural areas
  - Process measures tend to be worse in rural areas
  - Mortality rates tend to be worse in rural areas (partially explained by volume)

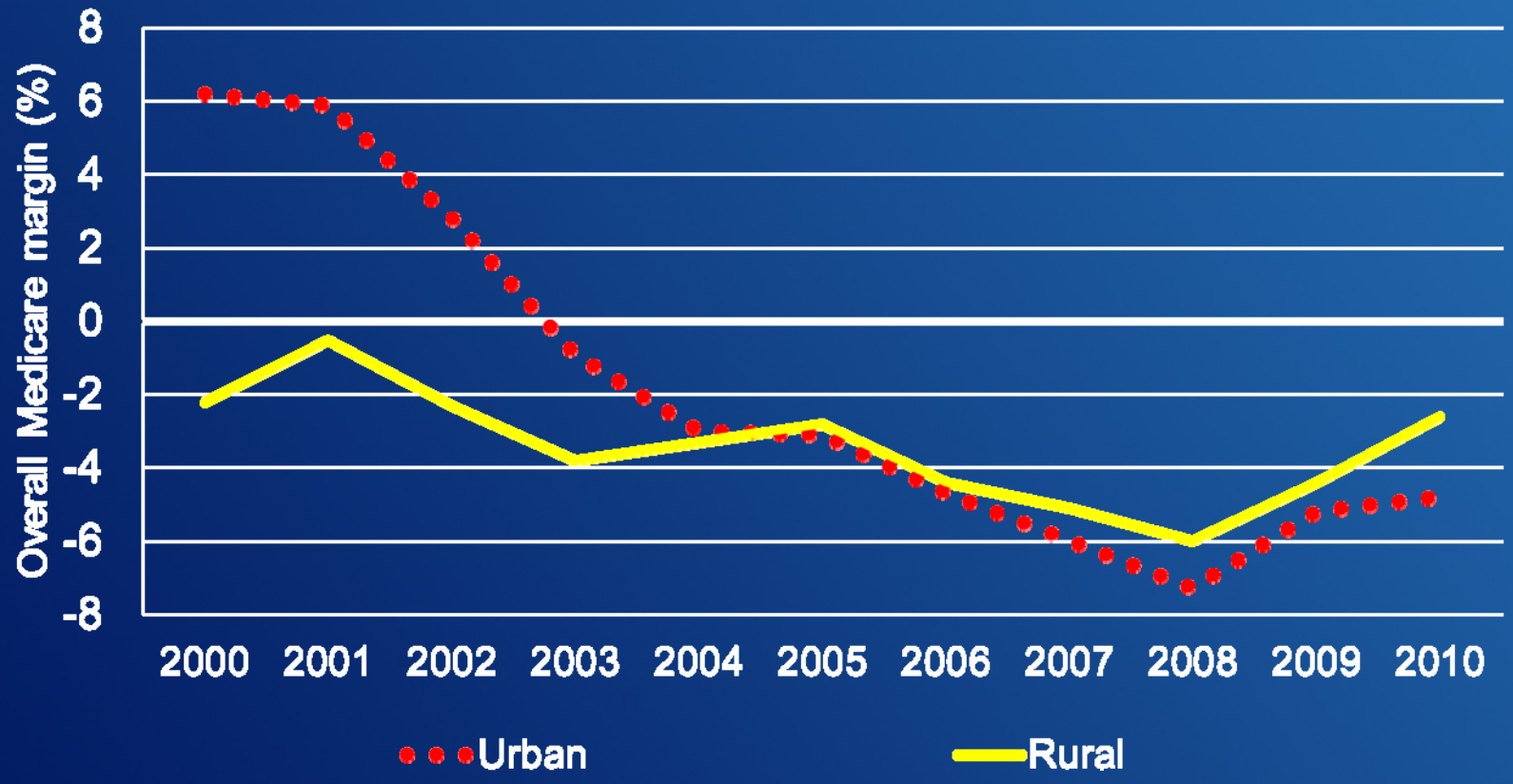
Guiding principles for rural quality of care

- Quality of care in rural and urban areas should be equal for non-emergency services rural providers choose to deliver
- Quality of emergency care may differ between rural and urban areas due to limitations of small rural hospitals and the necessity to treat the patient at the rural facility
- All providers should be evaluated on all the services they provide (i.e. measures common to urban and rural providers; and rural measures that are specific to rural providers), and the data should be publicly reported

Findings on rural Medicare payment adequacy

- Payments are adequate for most sectors:
  - Physicians
  - Home health agencies
  - Skilled nursing facilities
  - Hospices
  - Inpatient rehabilitation facilities
  - Hospitals
- Additional analysis will be done on the new low-volume adjustment for dialysis facilities

Rural hospital Medicare margins are now higher than urban



Source: MedPAC analysis of 2010 Medicare hospital cost reports from CMS.
Does not include CAHs which receive cost-based payments

Preliminary data subject to change

Many rural adjustments – some reflect MedPAC recommendations to increase payments

- Hospital policies enacted 2001 to 2009
  - Increase rural base rate up to urban level (MedPAC rec.)
  - Increased rural DSH payments (MedPAC rec.)
  - Low-volume adjustment up to 200 total discharges (MedPAC rec.)
  - CAHs: Expand cost-based reimbursements and add-ons, fewer restrictions on size and services
  - Sole Community Hospitals / Medicare-Dependent Hospital enhanced inpatient add-ons
  - 7 percent outpatient add-on at SCHs
- Hospital policies enacted in PPACA (2010)
  - Low-volume adjustment (1,600 Medicare discharges)
  - Wage index floor of 1.0 in certain states
  - $400 million to hospitals in low-spending counties (rural and urban)
  - 340b drug pricing for most rural hospitals (CAH, SCH, RRC)

Guiding principles for rural special payments

- Target payments to low-volume isolated providers that are a certain distance from other providers
- The magnitude of rural payment adjustments should be empirically justified
- Rural payment adjustments should encourage cost control on the part of providers
  - All providers have some incentive for cost control
  - Fixed add-on payments generally have a stronger incentive than cost-based payments

Discussion

- Comments on principles
- Comments on the draft of the report
- Discussion of future issues