Improving payment and care under Medicare's inpatient psychiatric benefit

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MEDPAC

Overview of presentation

- Inpatient psychiatric capacity & supply
- Use of inpatient psychiatric services
- IPF payments & costs
- Implications for payment accuracy
- Use of other health services by beneficiaries with IPF stays

Inpatient psychiatric facility (IPF) PPS

- Fully implemented by 2008
- Per diem payment ($685 in RY 2012), adjusted for:
  - Patient characteristics
    - MS-DRG, age, comorbidities, LOS
  - Facility characteristics
    - Wage index, teaching status, rural location, presence of ED
- Add-on payment for each electroconvulsive therapy (ECT) treatment
- Outlier pool = 2% of total payments

Medicare inpatient psychiatric cases and spending, 2009

	IPFs	Scatter beds	Total	Avg. ann. change 2004-2009
Cases	431,276	249,840	681,116	-1.6%
Cases per 1,000 FFS beneficiary	12.3	7.1	19.4	-0.9%
Spending	$3.9b	$1.6b	$5.5b	2.5%
Spending per FFS beneficiary	$111	$45	$156	3.3%
Payment per day	$763	$990		
Payment per case	$9080	$6344		

Results are preliminary and subject to change.
Source: MedPAC analysis of MedPAR data from CMS.

IPF supply, 2009

Type of IPF (share of Medicare discharges)	Facilities	Beds	Avg. annual change in beds 2004-2009
All IPFs (100%)	1599	82,339	0.1%
Freestanding (30%)	426	46,764	2.5
Distinct-part units (70%)	1173	35,575	-2.6
Urban (87%)	1216	72,302	0.4
Rural (13%)	382	10,027	-2.0
Nonprofit (52%)	832	26,989	-3.1
For profit (32%)	371	19,541	3.8
Government (16%)	396	35,809	0.9

Source: MedPAC analysis of MedPAR and cost report data from CMS.

IPF users

- 59% under age 65; 24% under age 45
- 56% are dual-eligibles
- 28% have more than one IPF stay during the year
- Heavy users of other Medicare-covered services, including Part D drugs

Top IPF discharges, 2009

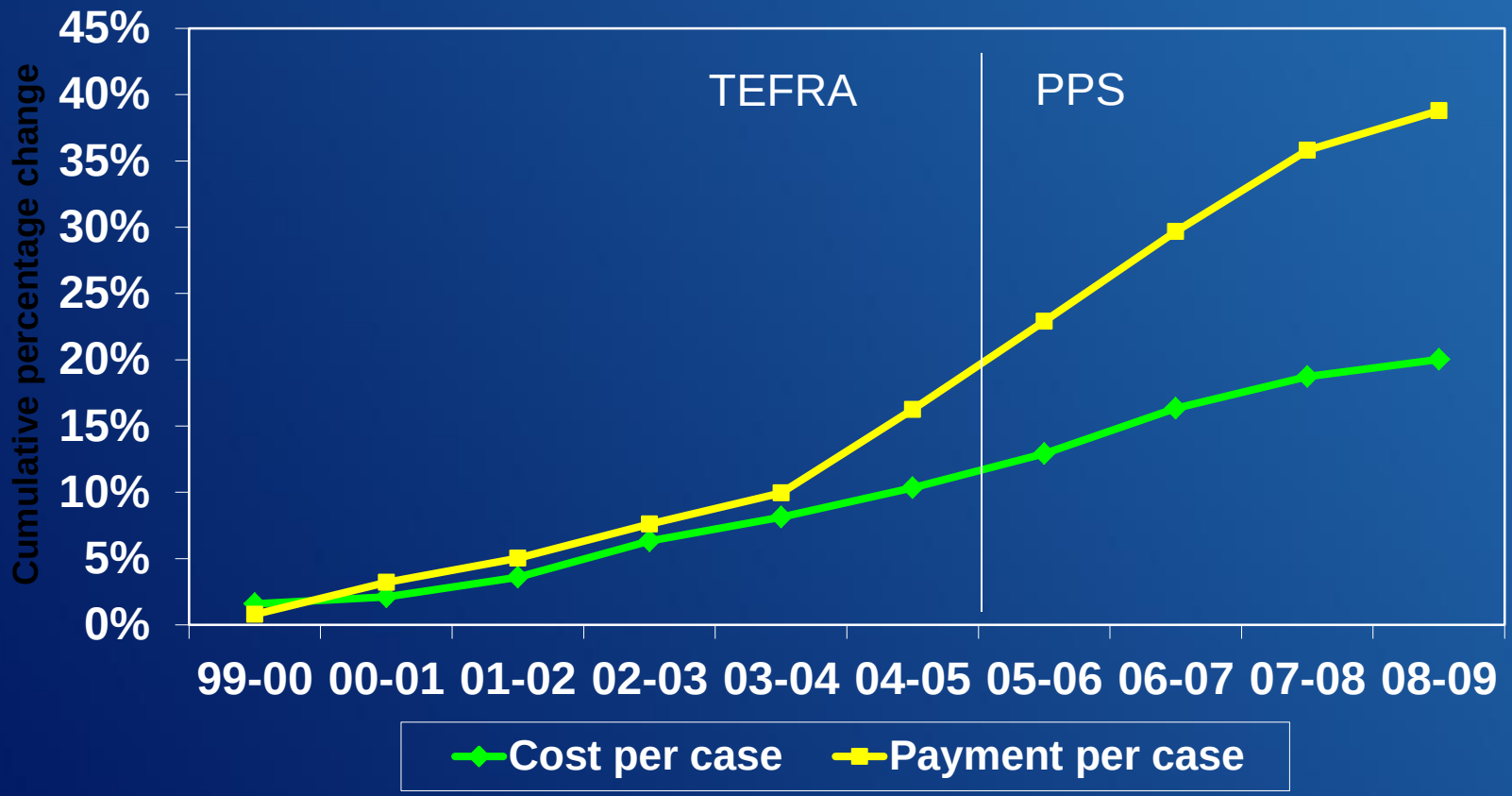
MS-DRG	Description	Share of discharges
885	Psychosis	73.1%
057	Degenerative nervous system disorders w/o MCC	7.5
884	Organic disturbances & mental retardation	5.8
897	Alcohol/drug abuse, w/o rehab, w/o MCC	4.2
881	Depressive neurosis	3.3
	Share of total discharges	93.9%

Results are preliminary and subject to change.
Source: MedPAC analysis of MedPAR data from CMS.

Do IPF units have higher costs?

- Patient differences:
  - May attract patients needing more medical or surgical care
  - Care for more patients with dementia
  - Discharge fewer patients home and more to post-acute care
- Facility differences:
  - Smaller size may limit economies of scale
  - Allocation of hospital overhead
- Other:
  - Have higher staffing levels, and their patients tend to use more nursing and staff time
  - Role of IPF unit in hospital's acute care financial performance

Cumulative change in freestanding IPFs' payments and costs per day, 1999-2009



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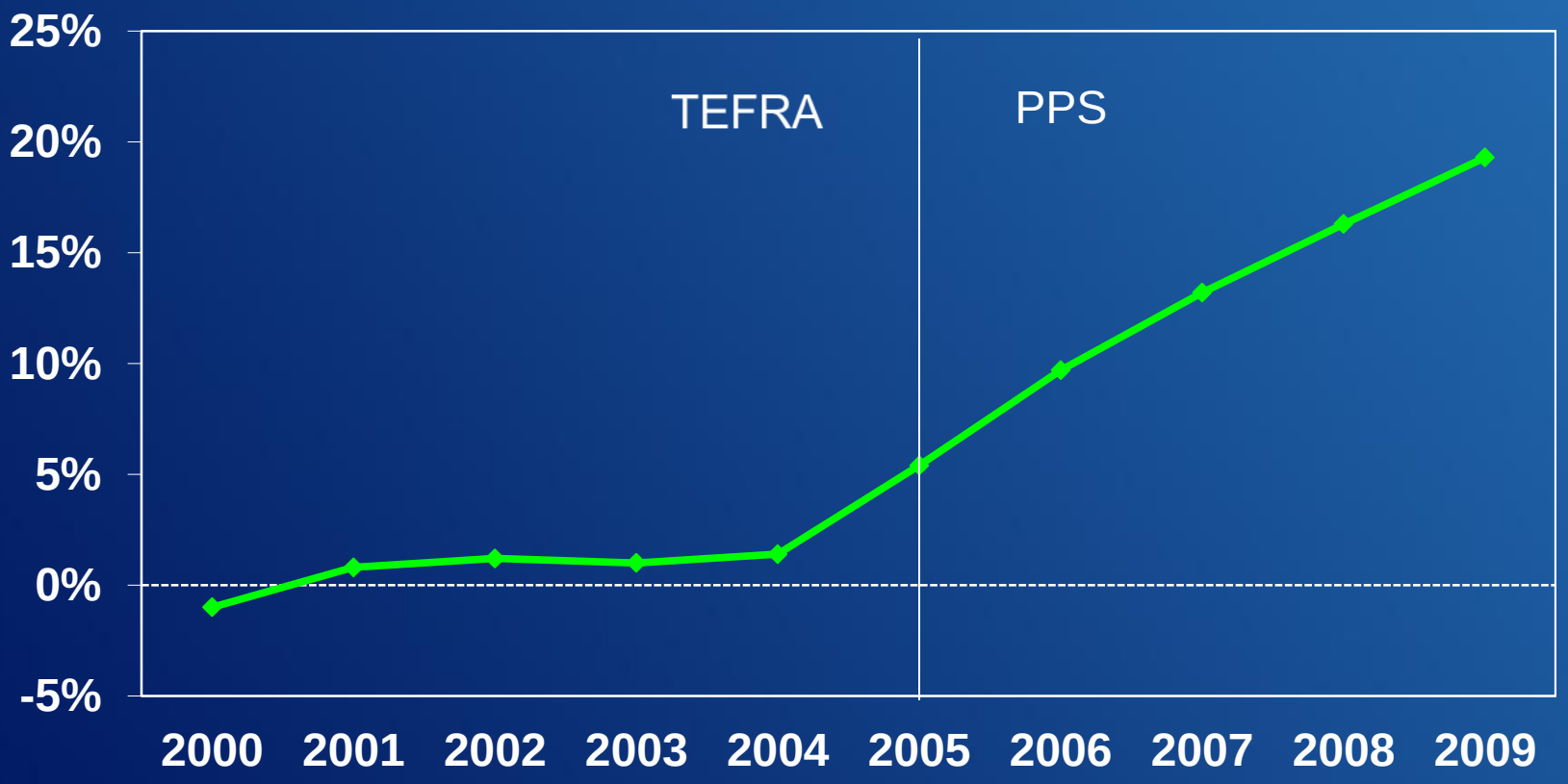
Government IPFs were excluded. Results are preliminary and subject to change.
Source: MedPAC analysis of Medicare cost report data from CMS.

Freestanding IPF Medicare margins, 2000-2009



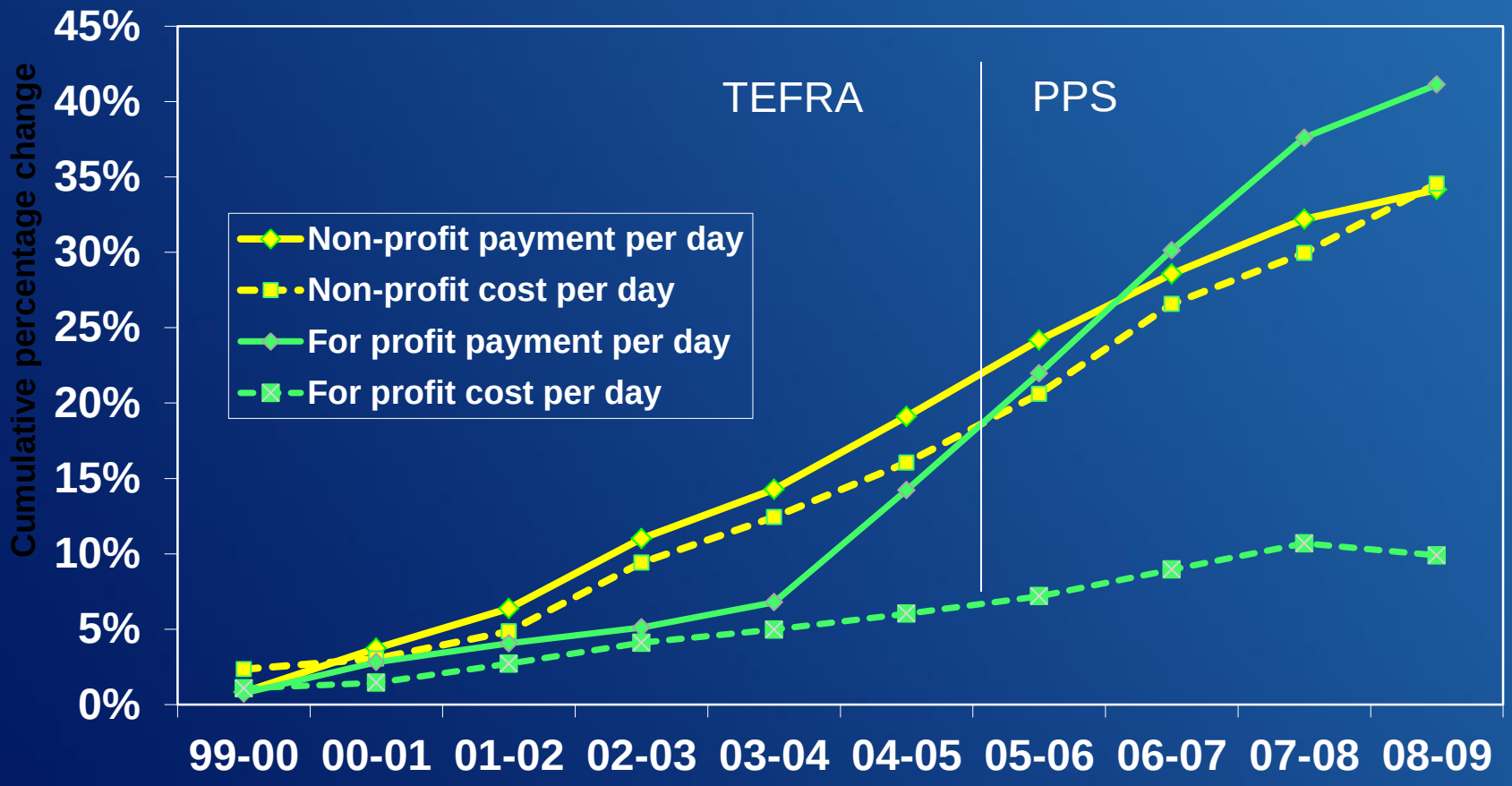
Government IPFs were excluded. Results are preliminary and subject to change.
Source: MedPAC analysis of Medicare cost report data from CMS.

High- and low-margin freestanding IPFs, 2009

Average	High-margin IPFs	Low-margin IPFs
Margin	35.6%	-20.1%
Standardized cost per day	$382	$735
Medicare payment per day	$667	$708
Outlier payment per day	$1	$12
Number of beds	97	55
LOS	13.6	11.4
For-profit share	95%	37%

Government IPFs were excluded. Results are preliminary and subject to change.
Source: MedPAC analysis of Medicare cost report and MedPAR data from CMS.

Cumulative change in freestanding IPFs' payments and costs per day, by ownership



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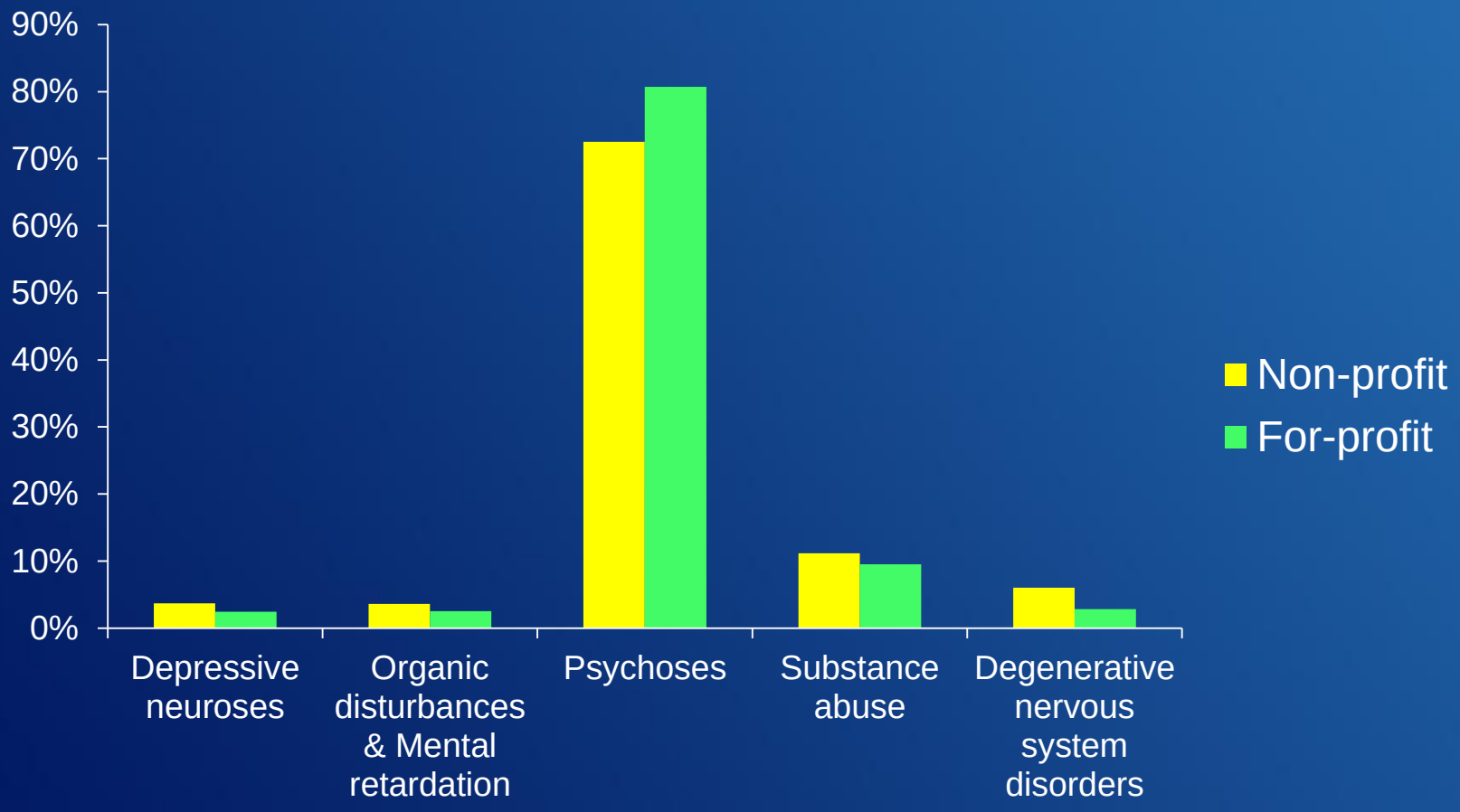
Source: MedPAC analysis of Medicare cost report data from CMS.

Types of cases in freestanding IPFs, by ownership, 2009



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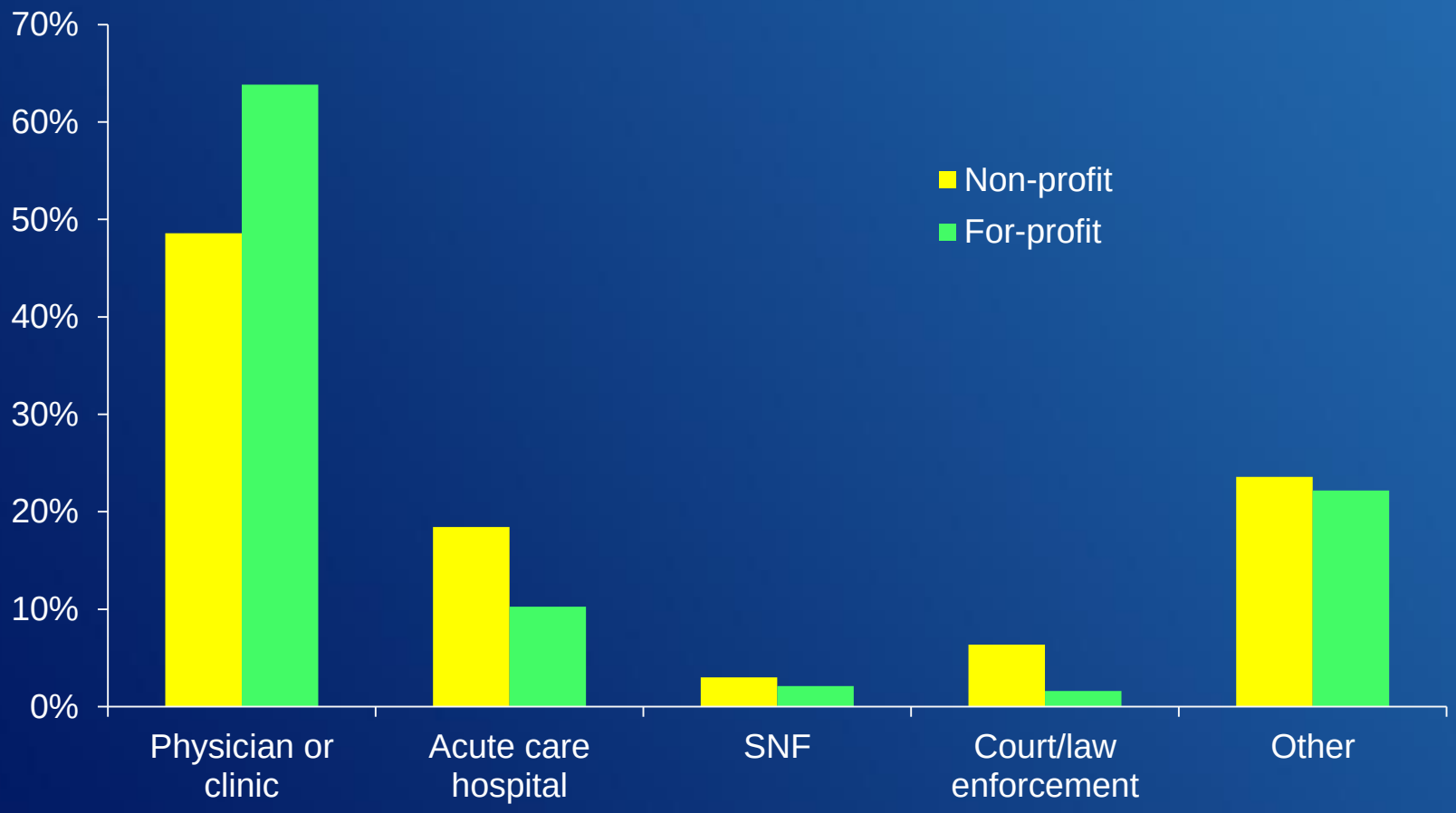
Source: MedPAC analysis of MedPAR data from CMS.

Admission source in freestanding IPFs, by ownership, 2009



Government IPFs were excluded. Results are preliminary and subject to change.
Source: MedPAC analysis of MedPAR data from CMS.

Improving payment accuracy

- PPS payments are not well-calibrated to costs:
  - Insufficient information about some variables known to affect nursing & staff time
  - PPS payments based on *facility* average daily costs of nursing & staff time
- Better calibration would:
  - Set payments that better reflect patient resource costs
  - Change the distribution of payments
  - Reduce variation in margins

Use of other health services by beneficiaries with IPF stays

Beneficiaries with an IPF stay:

- Had more physician visits during the year (14 vs. 10 for all beneficiaries).
- Only 46% had any physician visit within the 30 days before IPF admission.
- Only 16% had a psychiatrist visit in the 30 days before IPF admission.

Use of other health services by beneficiaries with IPF stays, continued

Beneficiaries with an IPF stay:

- Had more than three times as many SNF days as the average FFS beneficiary
- Annual Medicare SNF spending (2009):
  - Users of freestanding IPFs: $2,075
  - Users of IPF units: $3,910
  - Users of scatter beds: $4,519
- Annual Medicare home health spending:
  - Users of freestanding IPFs: $880
  - Users of IPF units: $1,204
  - Users of scatter beds: $1,688

Summary

- Payments are not well-calibrated to patient costs
- Possibility for patient selection may disadvantage some providers
- Improving the accuracy of payments may require additional information on patients

Next steps

- Consider ways to improve the accuracy of payment using available data:
  - Refinements to current system?
    - Case-mix adjusters
    - Day-of-stay adjusters
  - Changes to current system using additional available data?
    - Adjustments for other coded comorbidities?
    - HCC scores or other available health status information?
- Consider changes to outlier payment to reduce providers' risk of extraordinary costs
- Evaluate need for assessment tool