Advising the Congress on Medicare issues

Mandated report: Medicare payment for ambulance services

Zach Gaumer, David Glass, and John Richardson

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Mandated report on Medicare payment for ambulance services

- MedPAC directed to study:
  - Appropriateness of temporary ambulance add-on payments
  - Effect of add-on payments on providers' Medicare margins
  - Need to reform ambulance fee schedule, whether add-ons should be built into base rate
- Critical dates:
  - Report due June 15, 2013
  - Add-on payment policies in effect through December 31, 2012

Presentation outline

- Coverage and payment basics
- Updated trends in numbers of providers/suppliers, claims volume, and spending
- Issues resulting from analysis
- Provider costs and Medicare margins
- Program integrity issues
- Policy options

Ambulance coverage policy

- Medicare Part B covered service
  - Medicare pays 80 percent, 20 percent beneficiary coinsurance
- Ambulance services covered if:
  - Transportation of the beneficiary occurs
  - Transportation to a covered location
  - Medical necessity: Other forms of transport contraindicated
  - Provider/supplier meets state licensing requirements
  - Transportation is not part of a Part A covered stay

Ambulance coverage policy (cont.)

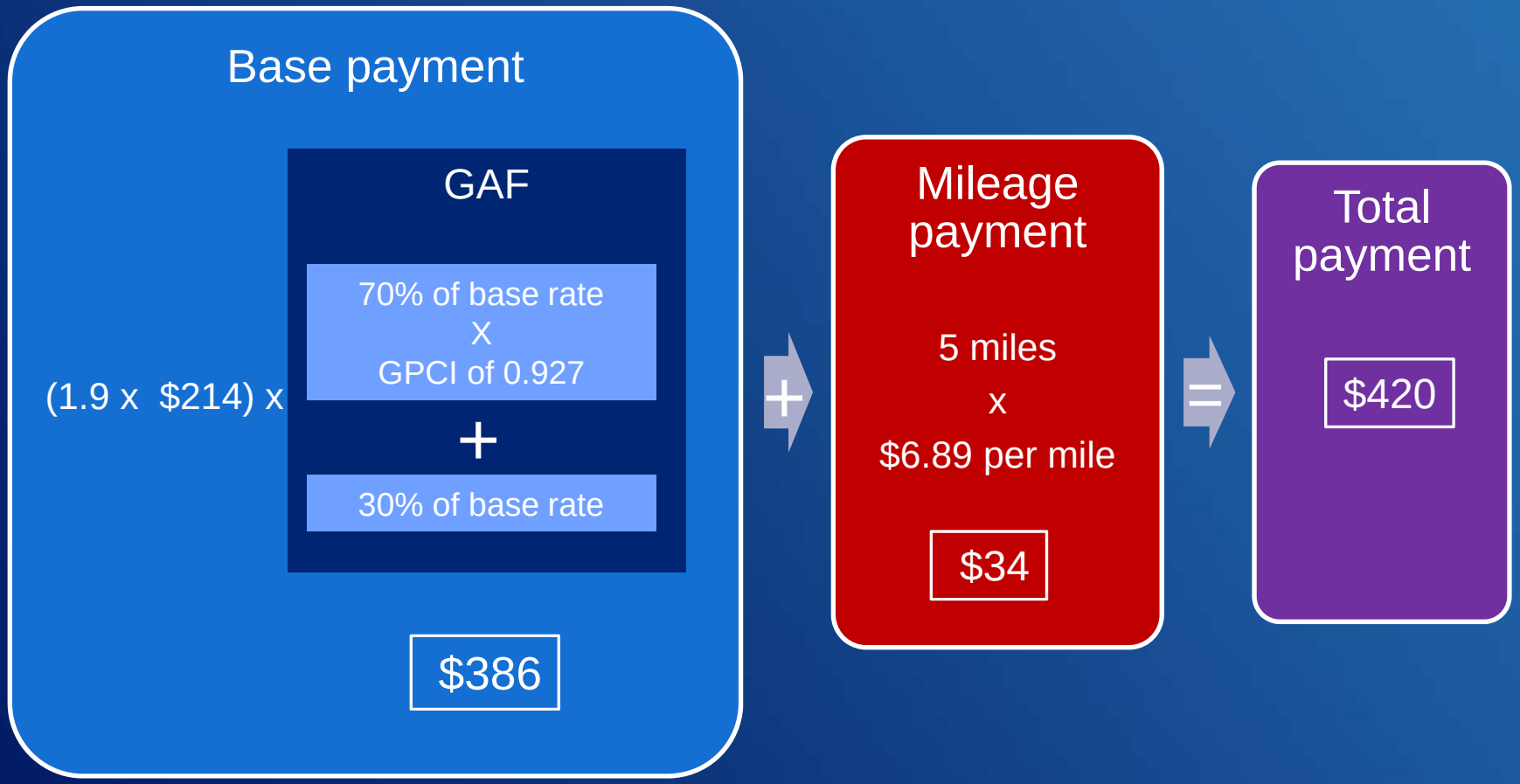
- Exceptions in law allow Part B payment for ambulance service during certain Part A-covered stays
  - Example: SNF resident with ESRD to/from dialysis
- Nonemergency transports require written physician certification of medical necessity, unless trip originates at beneficiary residence and are non-recurring

Ambulance fee schedule: Components

- Base payment
  - Relative value units (RVUs)
    - Ground: 7 levels based on service intensity (Air: 1 level)
  - Conversion factor (CF)
    - Ground: $214 / Air—Rotary wing: $3,384 / Air—Fixed wing: $2,911
    - Updated annually by Ambulance Inflation Factor (CPI-U)
  - Geographic adjustment factor (GAF)
    - Uses practice expense GPCI
    - Applied to labor share of rate (ground: 70 percent, air: 50 percent)
    - Tied to ZIP code of patient point of pick-up
- Mileage payment
  - Miles travelled from patient point of pick-up to destination
  - Uniform national mileage rates for ground and air (fixed and rotary wing)

Note: All dollar amounts shown are for 2012.

Example: Ground ALS Level 1-Emergency in Raleigh, NC excluding add-on payments



Note: ALS (advanced life support), GAF (geographic adjustment factor), GPCI (geographic practice cost index).

Add-on payment policies in current law

Add-on policy	Status	Policy description
Ground		
Rural short-mileage	Permanent	50 percent increase to mileage rate if mileage is between 1 and 17 miles
Rural and urban	Temporary*	Rural: 3 percent increase to base rate payment and mileage rate Urban: 2 percent increase to base rate payment and mileage rate
Super-rural	Temporary*	22.6 percent increase to base rate payment
Air		
Rural	Permanent	50 percent increase to air ambulance base rate payment and mileage rate
Grandfathered urban areas deemed rural	Temporary*	Maintains rural designation for application of rural air ambulance add-on for areas reclassified as urban by OMB in 2006 (affects over 3,400 ZIP codes)

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* In effect through December 31, 2012

Add-on policies account for 7 percent of ambulance payments, 2011

Add-on policy	Status	Number of claims receiving add-on payment	Spending (millions)
Ground			
Rural short-mileage	Permanent	2,195,986	$42
Rural and urban	Temporary*	15,158,353	$134
Super-rural	Temporary*	547,830	$41
Air			
Rural	Permanent	58,532	$126
Grandfathered urban areas deemed rural	Temporary*	8,295	$17
Total		**15,220,790**	**$359**

* In effect through December 31, 2012.

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Number of suppliers increased and providers decreased from 2008 to 2011

- Overall suppliers and providers billing Medicare increased 0.8 percent per year
- Providers decreased 4.6 percent per year
- Suppliers increased 1.3 percent per year
  - For-profits increased more than twice as fast as non-profits between 2008 and 2010
- Private equity entered the industry in 2011

Data are preliminary and subject to change

Trends in ambulance payments and utilization

- $5.3 billion in payments for 15.2 million claims in 2011
- Payments per FFS beneficiary increased 5.2 percent per year from 2007 to 2011
  - 2.6 percent growth in claims per 100 FFS beneficiaries
  - 2.5 percent growth in payments per claim
- 15 percent of FFS beneficiaries had an ambulance transport in 2011
- Ambulance users had an average of 3 transports per year in 2011

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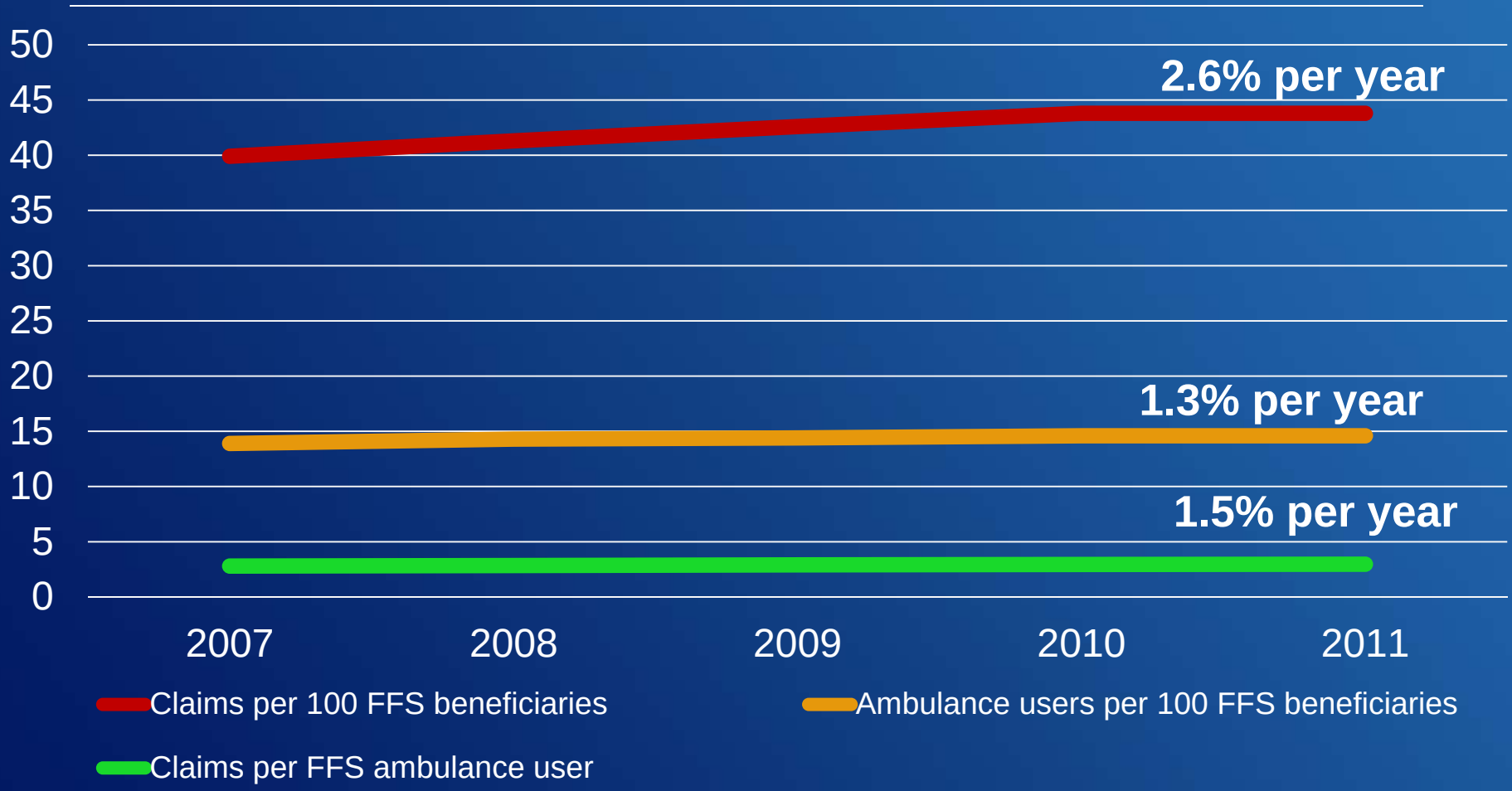
Medicare utilization growth does not indicate ambulance access problems



Source: Medicare Carrier and Outpatient claims files

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Growth in ambulance transports from 2007 to 2011

- Ambulance transport volume increased 9.9 percent
- Basic life support (BLS) transports grew faster (10.9 percent) than advanced life support (ALS) transports (8.1 percent)
- BLS nonemergency transports grew faster (11.4 percent) than BLS emergency (9.6 percent)
- BLS nonemergency grew faster in urban areas (12.5 percent) than in rural areas (7.2 percent)
- ALS emergency grew faster in rural areas (11.7 percent) than in urban areas (9.4 percent)

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BLS nonemergency transports are concentrated among certain suppliers

- 16 percent of suppliers and providers focused on BLS nonemergency in 2011
  - Over 90 percent of their transports were BLS nonemergency
  - They accounted for 27 percent of all BLS nonemergency transports
- 1,500 new suppliers entered from 2008 to 2011, many of which focused on BLS nonemergency
  - New suppliers: 65 percent of transports were BLS nonemergency
  - Established suppliers: 41 percent of transports were BLS nonemergency

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Dialysis transports growing rapidly

- Dialysis transports
  - 15 percent of all transports (2.3 million claims)
  - 13 percent of spending ($700 million)
  - Nearly all are BLS nonemergency
  - 20 percent increase in trips between dialysis facilities and any other location (2007 to 2011)
  - 50 percent increase in trips between dialysis facilities and SNFs (2007 to 2011)
- Small group of ambulance suppliers and providers concentrate on dialysis transports

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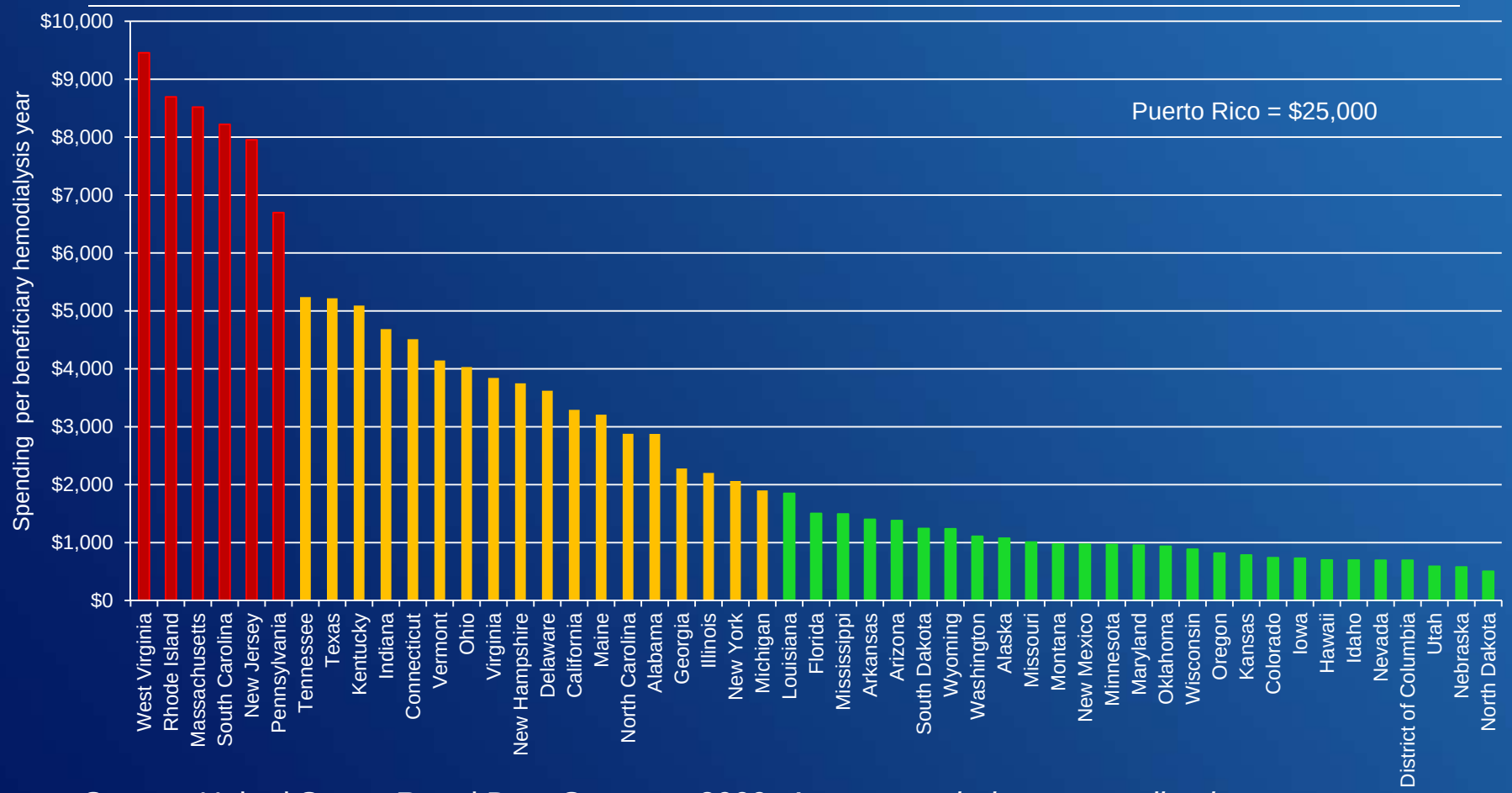
Ambulance spending per dialysis beneficiary varies greatly by state, 2009



Source: United States Renal Data Systems, 2009, *Average ambulance spending by state per beneficiary hemodialysis year*

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Ambulance cost analyses to date

- CMS does not collect supplier cost data
- 2003 GAO report: Used sample of 1998 costs
  - Transport volume is the key factor affecting costs
  - Low population areas had fewer transports
- 2007 GAO report: Used sample of 2004 costs
  - Costs increased if low-volume, more ALS transports, super-rural transports, receiving local tax support
  - Average Medicare margin estimated at –6%, excluding temporary add-on payments
- MedPAC's closer look at GAO's 2007 report
  - Low-volume threshold likely near 700 transports per year
- GAO's forthcoming report will assess 2010 cost data

HHS OIG finds evidence of fraud & abuse

- 1994 study: 70 percent of dialysis-related transports did not meet coverage requirement
- 1998 study: Two-thirds of all ambulance transports were not medically necessary because alternative transportation was possible
- 2006 study: $402 million in improper payments in 2002 stemming from 25 percent of transports (mainly nonemergency and dialysis transports) not meeting program requirements
- Several specific cases of fraud involving dialysis transports or up-coding

Possible options for temporary ground ambulance add-on policy

- Cost: $134 million in 2011
- Affects all ground ambulance transports
- Use of services increasing, no evidence of access problems
- Margins
  - 2007 GAO study found average margin of –6% without temporary add-ons, but wide confidence interval
  - 2012 GAO study may provide new evidence
- Options: Let it expire (current law) or fold into base

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Possible options for temporary super-rural add-on payment policy

- Cost: $41 million in 2011
- Affects over 500,000 transports originating in super rural ZIP codes
- Does not efficiently target low-volume, isolated providers
- Options:
  - Let it expire (current law)
  - Combine with existing permanent rural short-mileage add-on policy—replace both with a better targeted low-volume/isolated area payment policy

Data are preliminary and subject to change

Possible options for temporary air ambulance add-on payment policy

- Cost: $17 million in 2011
- Affects about 8,000 air transports originating in urban counties
- Provides 50 percent add-on payment for urban ZIP codes previously designated rural
- Was justified as transitional policy
- Has been in place for four years
- Options: Let it expire (current law) or retain

Data are preliminary and subject to change

Policy options for dialysis transports

- Issue: Nonemergency dialysis-related transports
  - Growing rapidly
  - Highly variable by state
  - Rapid entry of for-profit suppliers focused on this service
- Option: Direct the Secretary to review unusual patterns of use and implement safeguards
  - Has authority to restrict new entry and re-enroll providers
  - Could enhance physician certification or conduct medical necessity reviews
  - May need statutory authority for prior authorization
- Should Medicare pay for nonemergency ambulance transportation to/from dialysis?

Policy option for rebalancing RVUs

- Issue: Growth in BLS nonemergency transports
  - Growing rapidly
  - Suppliers focused on these transports
- Option: CMS could identify overvalued services
  - Eventually, gather cost data then rebase
  - In interim, reduce RVU for BLS nonemergency transports by set percentage

Discussion

- Questions on content
- Reaction to policy options?
  - Temporary ground ambulance
  - Temporary super-rural
  - Temporary air ambulance
  - Dialysis transports
  - Rebalancing RVUs