

Assessing payment adequacy and updating payments:
Skilled nursing facility services
Home health agency services
Inpatient rehabilitation services
Long-term care hospital services

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Assessing payment adequacy and updating payments: Skilled nursing facility services

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January 14, 2021

Overview of the skilled nursing facility industry in 2019

Providers

About 15,000

Most also provide long-term care

Medicare spending

\$27.8 billion

Medicare users

1.5 million

4% of FFS beneficiaries

Medicare share of:

Facility days: 9%

Facility revenue: 16%

Summary: SNF payment adequacy indicators in 2019 are positive

| Beneficiaries' access to care | Quality of care | SNFs' access to capital | Medicare payments and SNFs' costs |
|---|--|--|---|
| <ul style="list-style-type: none">• Stable supply• Volume declines do not reflect adequacy of payments• High marginal profit (~20%) | <ul style="list-style-type: none">• Small improvements in the rates of successful discharge to community and hospitalization | <ul style="list-style-type: none">• Adequate access to capital• Low total margins (0.6%) reflect lower payments from other payers | <ul style="list-style-type: none">• 2019 Medicare margin was 11.3%• Efficient provider margin in 2019 was 19.2%• Projected 2021 margin: 10% |
| Positive | Positive | Positive | Positive |

Assessing payment adequacy and updating payments: Home health care services

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January 14, 2021

Home health care industry 2019

- \$17.8 billion total Medicare expenditures (FFS)
- Over 11,300 agencies
- 6.1 million episodes for 3.3 million FFS Medicare beneficiaries

Summary: Home health payment adequacy indicators in 2019 are positive

| Beneficiaries' access to care | Quality of care | Access to capital | Medicare payments and HHA costs |
|---|---|--|---|
| <ul style="list-style-type: none">➤ 99 percent live in a ZIP code with at least one HHA available➤ Episode volume decreased; unrelated to payment➤ Positive marginal profit (18%) | <ul style="list-style-type: none">➤ Rates of successful discharge increased➤ Small decline in hospitalizations | <ul style="list-style-type: none">➤ Positive all-payer profit margin (5.9%)➤ Large for-profits continue to have access to capital | <ul style="list-style-type: none">➤ 15.8% Medicare margin in 2019 (efficient provider over 23%)➤ Projected margin estimated to equal 14% in 2021 |
| Positive | Positive | Positive | Positive |

Assessing payment adequacy and updating payments: Inpatient rehabilitation facility services

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January 14, 2021

Overview of the inpatient rehabilitation facility industry, 2019

- 1,152 IRFs
- 25% of IRFs were freestanding, but accounted for half of Medicare discharges
- Average Medicare length of stay = 12.6 days
- FFS Medicare accounted for:
 - About 58 percent of IRFs' discharges
 - 409,000 stays for 363,000 beneficiaries
 - \$8.7 billion total Medicare expenditures (FFS)

Summary: IRF payment adequacy indicators in 2019 are positive

| Beneficiaries' access to care | Quality of care | IRFs' access to capital | Medicare payments and IRFs' costs |
|--|---|---|---|
| <ul style="list-style-type: none">➤ Capacity appears adequate➤ Increase in volume➤ High marginal profit<ul style="list-style-type: none">➤ FS: 40%➤ HB: 19% | <ul style="list-style-type: none">➤ Risk-adjusted outcome measures relatively stable since 2015 | <ul style="list-style-type: none">➤ IRFs maintain good access to capital markets➤ The all-payer margin for freestanding IRFs is a robust 10.4% | <ul style="list-style-type: none">➤ In 2019, the aggregate Medicare margin was 14.3%➤ We project a margin of 16% in 2021 |
| Positive | Positive | Positive | Positive |

Assessing payment adequacy and updating payments: Long-term care hospital services

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January 14, 2021

Overview of the long-term care hospital industry, 2019

- Medicare fee-for-service
 - Average payment per case: ~\$41,000 (all cases), ~\$47,000 (cases meeting the LTCH PPS criteria)
 - Total cases: ~91,000
 - Spending: \$3.7 billion
- Total facilities: 361

Summary: LTCH payment adequacy indicators in 2019 as expected given payment changes

| Beneficiaries' access to care | Quality of care | Access to capital | Medicare payments and costs |
|--|---|--|--|
| <ul style="list-style-type: none">➤ Occupancy rate steady➤ Share of cases meeting criteria increased➤ Supply decreased➤ Marginal profits adequate | <ul style="list-style-type: none">➤ Stable mortality rates (unadjusted)➤ Stable hospitalizations, slight decline in discharge to community (risk-adjusted) | <ul style="list-style-type: none">➤ Industry contraction reduced the need for capital➤ All-payer margin declined slightly from 2018 | <ul style="list-style-type: none">➤ Medicare margin for LTCHs with a high share of cases meeting the LTCH PPS criteria: 2.9 percent➤ Projected 2021 margin: 2 percent |
| As expected, given changes in payment system | Mixed | As expected, given changes in payment system | Positive |