



Advising the Congress on Medicare issues

Assessing payment adequacy: Skilled nursing facilities

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Skilled nursing facilities: providers, users, and Medicare spending

- Providers: 15,096
- Beneficiary users: 1.6 million
- Medicare spending: \$26.4 billion

Payment adequacy framework

- Access
 - Supply of providers
 - Volume of services
- Quality
- Access to capital
- Payments and costs

Access appears stable for most beneficiaries

Indicator	Assessment
Supply of providers	Small increase since 2000
Bed days available	Increased
Occupancy rates	Declined
Volume per FFS beneficiary	Small decline, reflecting lower hospital use

Comparison of SNFs with highest shares of medically complex patients and other SNFs

- Highest shares of medically complex: 31 percent (the 99th percentile)
- SNFs with highest shares were disproportionately:
 - Rural
 - Nonprofit
 - Hospital-based

Payment adequacy indicators are generally positive (continued)

Indicator	Assessment
Quality	Unchanged from 2007 to 2008
Access to capital	Improved from last year. Medicare is a preferred payer.

2009 freestanding aggregate SNF Medicare margins

<u>SNF type</u>	<u>Margin</u>
All	18.1%
Urban	18.0
Rural	18.7
For profit	20.3
Nonprofit	9.5

*Source: MedPAC analysis of freestanding SNF Medicare cost report data.
Data are preliminary and subject to change.*

SNFs with high Medicare margins also have high total margins

	<u>Medicare margin quartile</u>			
	1 st	2 nd	3 rd	4 th
Medicare margin	-0.7%	14.5%	22.6%	32.6%
Total margin	0.1%	2.7%	4.5%	6.9%
Medicare share of revenues	16%	23%	25%	26%
Share of intensive therapy days	54%	63%	67%	69%
Medicaid share of days	61%	61%	61%	63%
Medicare payments per day	\$395	\$412	\$420	\$427
Medicare costs per day	\$406	\$355	\$325	\$284

*Source: MedPAC analysis of freestanding SNF Medicare cost report data.
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Comparison of efficient SNFs to the average SNF

Efficient SNFs

Cost per day in 2008	10% lower
Community discharge in 2008	29% higher
Rehospitalization in 2008	16% lower
Medicare margin	16% higher

Historical trends 2001-09

More likely to have low cost growth

More likely to have high revenue growth

Source: MedPAC analysis of quality measures from the University of Colorado Health Sciences Center and freestanding SNF Medicare cost report data. Data are preliminary and subject to change.

Rebasing SNF payments

- When MedPAC considered rebasing home health payments, it reviewed changes in costs and visits.
- Before considering rebasing for SNF payments, MedPAC will examine changes in costs and practice patterns in SNF care.

Re-print recommendations that would affect the distribution of Medicare payments

- Revise the SNF PPS
 - Add a separate NTA component
 - Base therapy component payments on predicted patient care needs
 - Add an outlier policy
- Establish a quality incentive payment policy