



Advising the Congress on Medicare issues

Improving payment and care under Medicare's inpatient psychiatric benefit

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October 6, 2011

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		

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

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

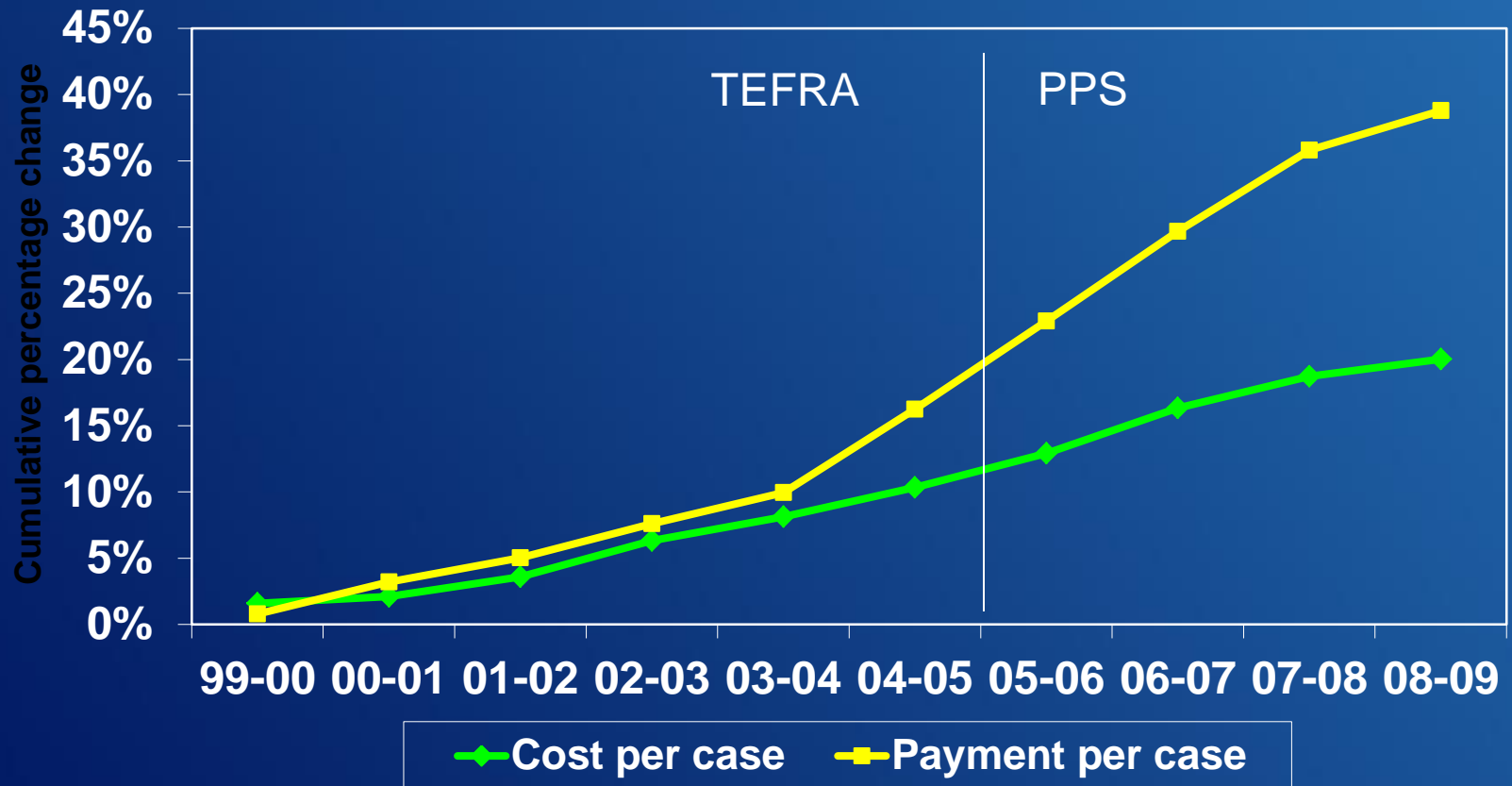
Top IPF discharges, 2009

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%

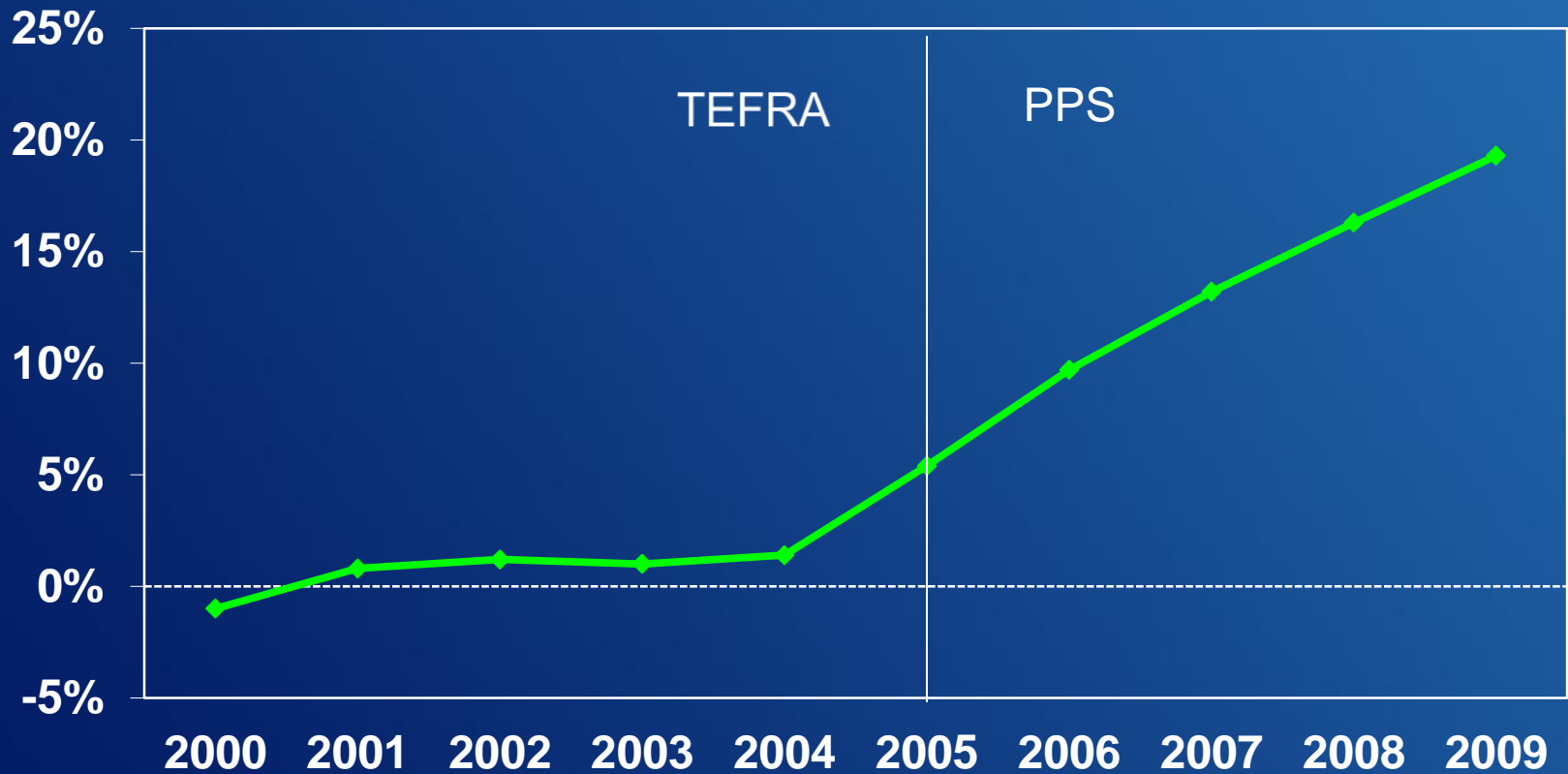
Do IPF units have higher costs?

- 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



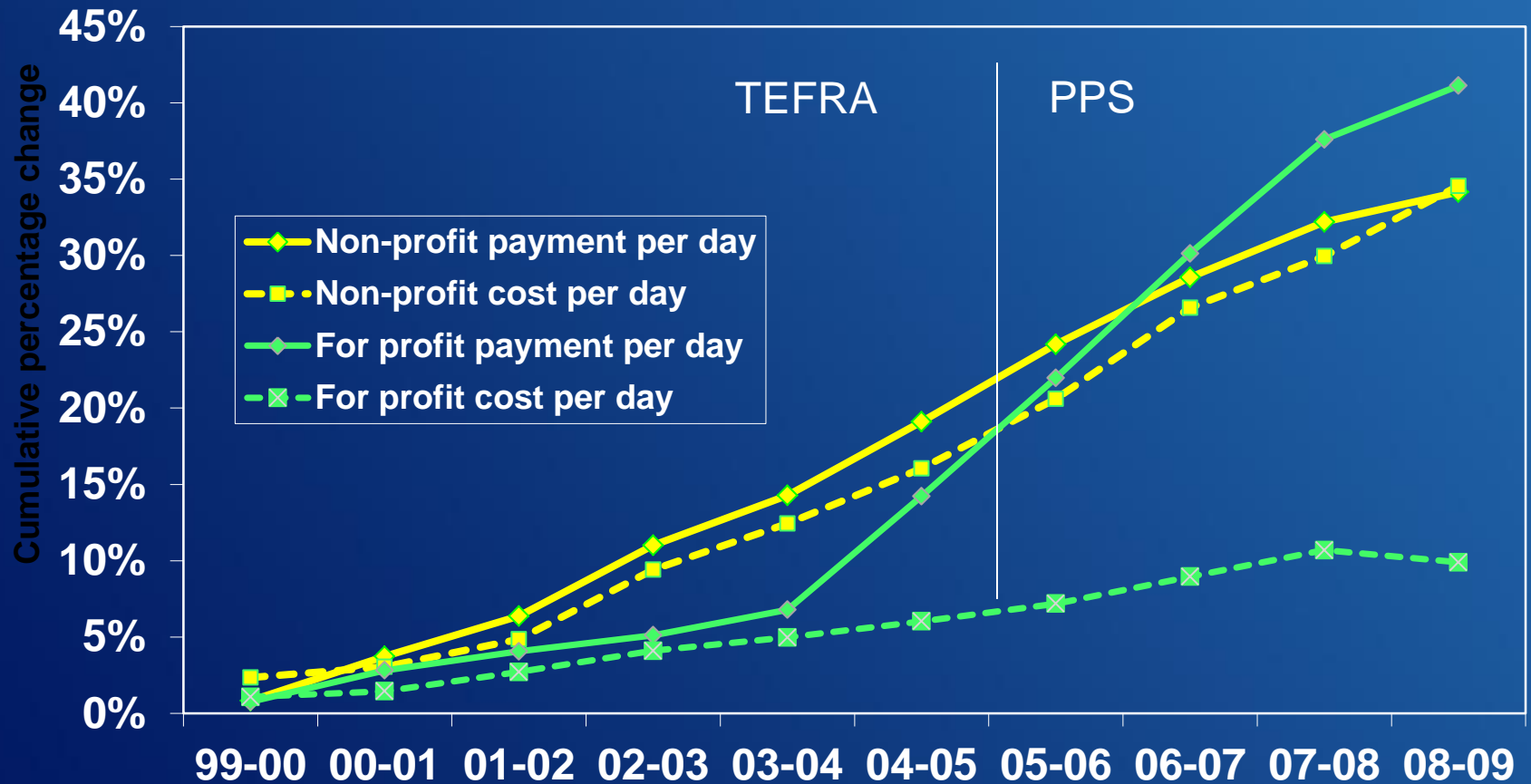
Freestanding IPF Medicare margins, 2000-2009



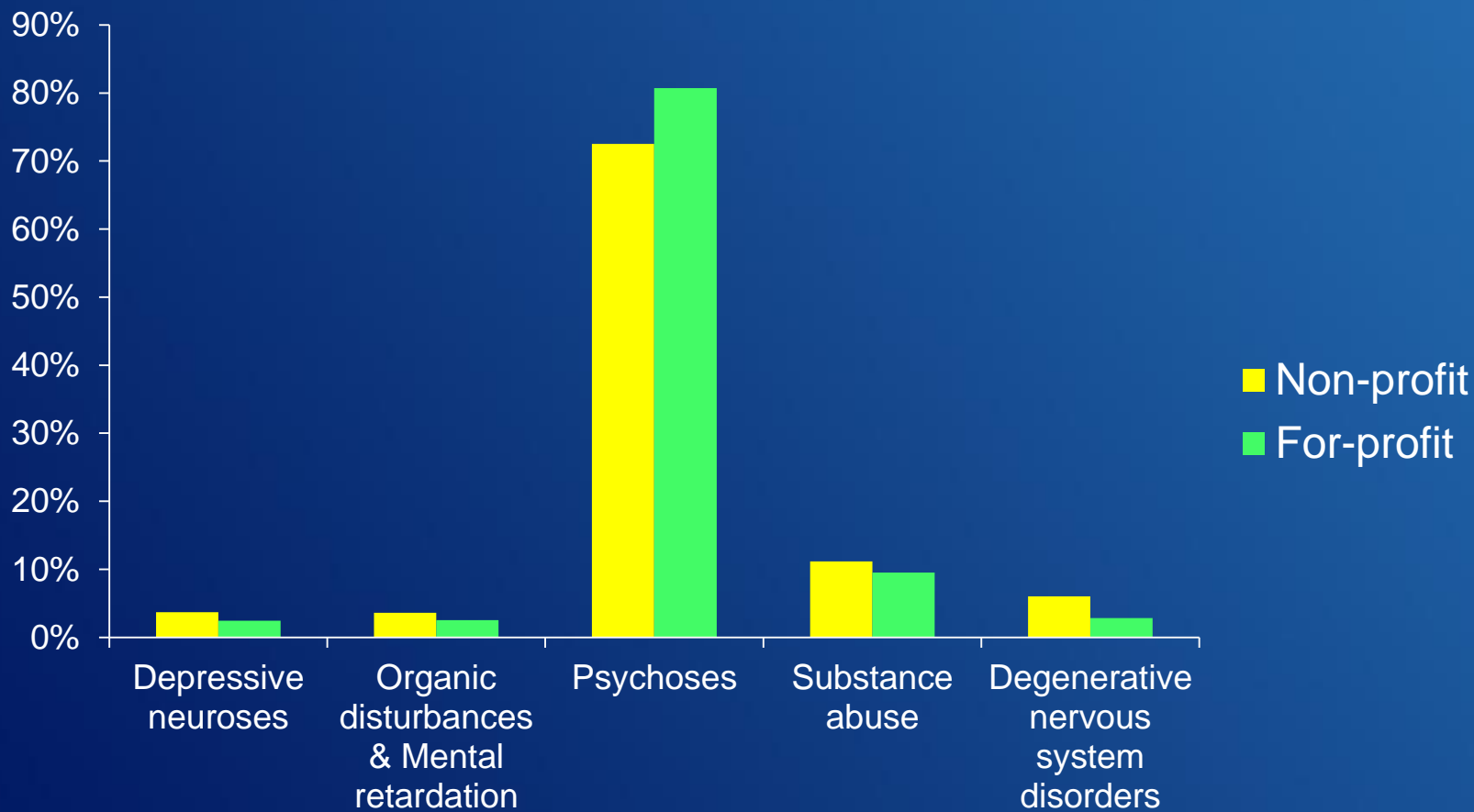
High- and low-margin freestanding IPFs, 2009

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%

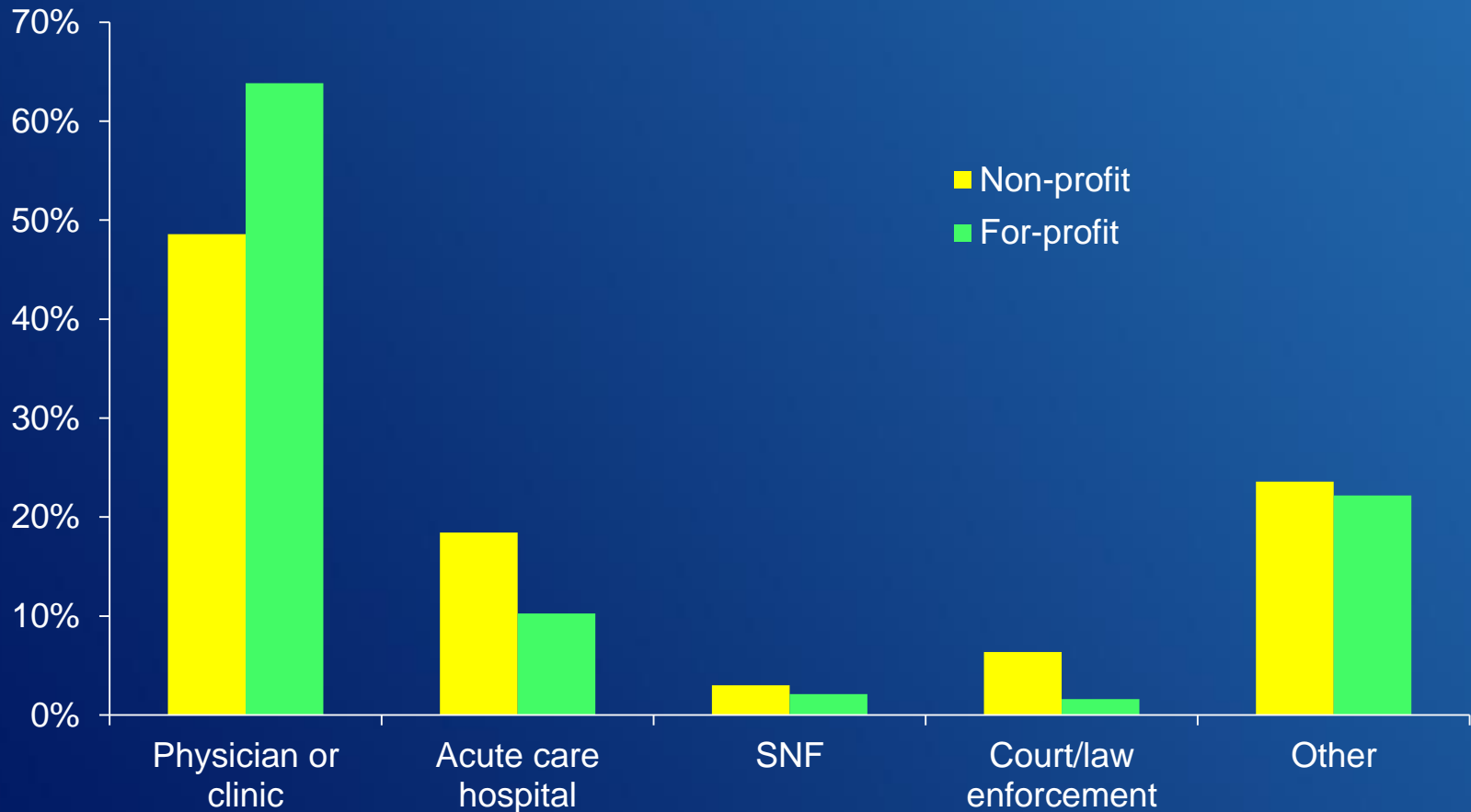
Cumulative change in freestanding IPFs' payments and costs per day, by ownership



Types of cases in freestanding IPFs, by ownership, 2009



Admission source in freestanding IPFs, by ownership, 2009



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