Advising the Congress on Medicare issues

Mandated report: Medicare payment for ambulance services

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MEDPAC

Presentation outline

- Framework for evaluating policy options
- Commissioner's questions from September
- Policy issues
- Chairman's draft recommendations
- Discussion

Framework for evaluating policy options

- How does the recommendation impact Medicare program spending?
- Will it improve beneficiary access to care?
- Will it improve the quality of care Medicare beneficiaries receive?
- Will the recommendation advance payment reform? Does it move away from fee-for-service and encourage a more integrated delivery system?

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

Commissioner's questions from September

- More than half of dialysis beneficiaries had at least one transport, and growth rate faster for those over 80 years
- Dually-eligible beneficiaries more likely to use ambulance transport, particularly dialysis-related transports
- States with low and high ambulance spending both offer Medicaid transportation benefit
- States with low ambulance spending also low in other measures, states with high ambulance spending not high in other measures
- Dialysis transports shorter than average, and payment for round-trip transport twice the payment for dialysis treatment

Policy issues for the report

- Extending temporary add-on payment policies
- BLS nonemergency transports may be misvalued in current fee schedule
- Targeting payments to rural areas to protect access
- Rapid increase in dialysis-related transports and inappropriate billing for non-emergency transports

Extending temporary add-on payment policies

Add-on policy	Payments	Policy description
Ground: Rural and urban	$134M	Rural: 3 percent increase to base rate payment and mileage rate Urban: 2 percent increase to base rate payment and mileage rate
Air: Grandfathered urban areas deemed rural	$17M	Maintains rural designation for application of rural air ambulance add-on for areas reclassified as urban by OMB in 2006
Ground: Super-rural	$41M	22.6 percent increase to base rate payment

Source: MedPAC analysis of CMS files

- Expire end of calendar year 2012
- Extending will increase spending relative to current law

Extending temporary add-on payment policies: Analysis

- Ground ambulance rural and urban add-on:
  - No evidence of access problems
  - Growth in spending and use
  - Growth in for-profit suppliers and entry of private equity firms
- Super rural add-on: adjusting for low-volume and isolation needs better, permanent solution
- Temporary air ambulance add-on: transition following redesignation of areas from rural to urban in 2006. Providers have had time to adjust.

BLS nonemergency transports may be misvalued in current fee schedule

- BLS nonemergency transports growing rapidly, particularly for dialysis-related transports
- Small group of entities focused on BLS nonemergency transports—account for disproportionate number of these transports
- New entities more focused on BLS non-emergency transports than established entities
- Recent entry of for-profit entities and private equity ownership

BLS nonemergency transports misvalued: Analysis

- Possible policy: Rebalance ambulance fee schedule RVUs to reduce BLS nonemergency payments and to keep aggregate payment consistent for all other types of transports—protect emergency transports
- Corrects incentives
  - Reduce growth in BLS nonemergency transports
  - Reduce incentive to focus on BLS nonemergency transports instead of emergency transports

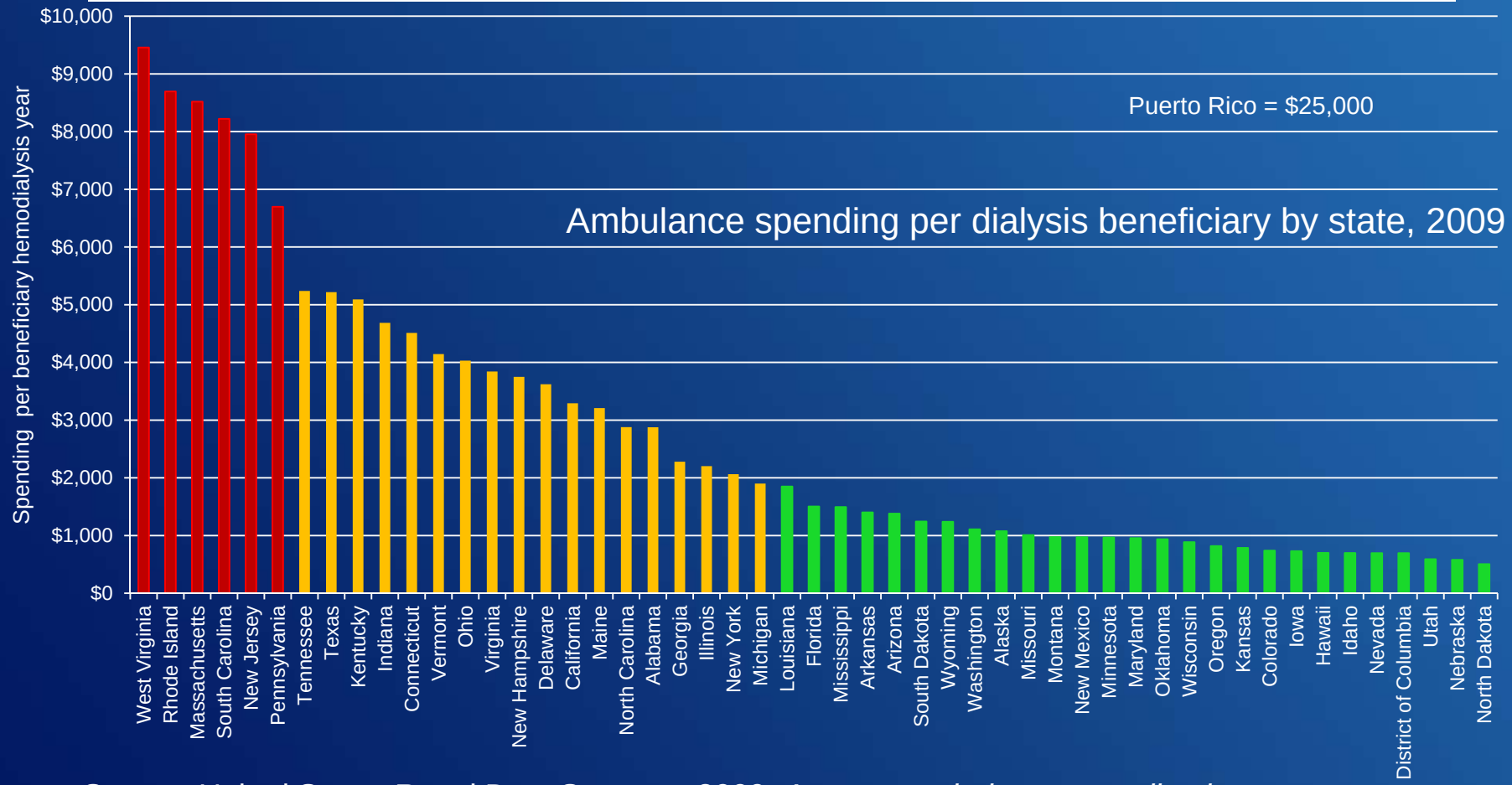
Protecting access by directing payments to isolated low-volume rural areas

- Isolated rural areas generate fewer ambulance transports
- Providers with low-volume of transports have higher costs per transport
- Short-mileage ground add-on not well targeted to reach isolated low-volume rural areas:
  - Excluded more than 220,000 super-rural transports with distance greater than 17 miles
  - Includes more than 2 million transports in rural areas, not identified as super-rural areas

Illustrative policy for low-volume and isolated areas

- Four-step process:
  - Determine how much costs increase as volume decreases
  - Define areas as set radius (e.g., 10-15 miles) around ZIP code
  - Compute population in area and the number of transports that population would generate
  - Decide if low-volume, if so increase payments
- Would replace current permanent add-on

Rapid increase in dialysis-related transports and inappropriate billing for non-emergency transports



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

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Data are preliminary and subject to change

Non-emergency dialysis transports: Analysis

- High growth relative to other kinds of transports
- Wide variation across states
- IG findings of inappropriate billing and prosecutions for fraud
- Inconsistent local claims edits

Discussion

- Questions on analysis
- Chairman's draft recommendations