Advising the Congress on Medicare issues

Mandated report: Medicare payment for ambulance services

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November 1, 2012

MEDPAC

Presentation outline

- Framework for evaluating policy options
- Recap of mandate
- Additional analysis requested by Commissioners
  - GAO 2012 report findings
  - Example of isolated, low-volume policy
- 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

Temporary add-on payment policies

Add-on policy	Payments in 2011	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
Ground: Super-rural	$41M	22.6 percent increase to base rate payment
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

Source: MedPAC analysis of CMS files

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

Findings to date

- No evidence of access problems
- Growth in spending and use:
  - BLS nonemergency transports growing rapidly
  - New entrants focusing on BLS nonemergency transports
  - Growth in for-profit suppliers and entry of private equity firms
- Current add-ons not well targeted to isolated low-volume rural areas
- Temporary air ambulance add-on: transition following redesignation of areas from rural to urban in 2006. Providers have had time to adjust.
- Program integrity issues

Findings from GAO 2012 report

- 2010 median Medicare margins:
  - For survey sample; +1.7 percent with add-ons -1.0 percent without
  - Estimated range:
    - -2.3 percent to +9.3 percent with add-ons,
    - -8.4 percent to +5.3 percent without add-ons
- Regression analysis found higher cost associated with:
  - Lower volume (found about 600 transports per year threshold)
  - More emergency versus non-emergency transports
  - Higher level of government subsidy

Current add-ons not well directed to isolated, low-volume rural areas

- Most spending from the short-mileage ground add-on and super rural add-ons go to a small set of ZIP codes with large populations
- Isolated rural areas generate fewer ambulance transports
- Suppliers with a low-volume of transports have higher costs per transport
- Need better way to direct payments to isolated, low-volume rural areas

Illustrative policy for isolated, low-volume areas

- Goal: Distribute add-on to rural ZIP codes with low-density and/or population

New policy	Rural ZIP codes	Average population	Total Medicare transports
Includes	78%	Less than 1,500	550,000
Excludes	22%	More than 12,000	3,000,000

- New policy better targeted
- Add-on budget neutral, but would offset loss of temporary add-ons in low-volume, isolated areas—maintain access
- Size of add-on sensitive to definitions of areas, number of transports affected

Summary: Add-ons and access

- No compelling evidence to extend temporary add-on payment policies and increase spending
- Can maintain access without increasing spending:
  - Emergency services: Rebalance RVUs from basic life support (BLS) nonemergency transports to other ground transports
  - Isolated, low volume rural areas: Retarget permanent rural short-mileage add-on

Summary: Program integrity

- High growth in BLS nonemergency transports relative to other kinds of transports
- New entrants focused on BLS nonemergency transports
- Wide variation across states, particularly transports to and from dialysis facilities
- HHS Inspector General findings of inappropriate billing and prosecutions for fraud
- Suggests stronger steps needed to preserve program integrity

Discussion

- Questions on analysis to date
- Draft recommendations