Advising the Congress on Medicare issues

Improving Medicare's payment for chronically critically ill patients in hospital settings

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MEDPAC

Overview

- Review
  - Concerns about LTCHs
  - Identifying LTCH-appropriate patients
  - MedPAC's work on approaches to payment reform
- CMS's possible framework for reform

Concerns about LTCHs

- Accuracy of payments
  - Rates based on inflated costs
  - Payment policies distort resource use
- No definition of LTCH-appropriate patients
  - LTCHs can admit any patient needing hospital-level care as long as ALOS > 25 days
- Uneven geographic distribution
  - Oversupply in some markets may encourage admission of less complex cases
  - In areas without LTCHs, similar patients receive care in other (lower paid) settings

Defining LTCH-appropriate patients: The chronically critically ill (CCI)

- MedPAC recommendation for patient criteria for admission to LTCHs (2004)
- Identifying CCI patients has proven to be difficult
  - No assessment data collected in ACHs or LTCHs
- Best available measure may be use of ICU/CCU services

Identifying CCI patients: MedPAC analysis

- ACH → 8+ ICU days
- LTCH → transferred after 8+ ICU in ACH

CCI cases: MedPAC analysis

- 6 percent of all IPPS cases are CCI
  - 48% of IPPS CCI episodes use institutional PAC (SNF, IRF, or LTCH)
  - Only 9% of IPPS CCI cases use LTCH
- Most LTCH cases are not CCI
  - Non-CCI ≈ 60%

MedPAC design concept

Based on the premise that CCI patients are a small share of total cases

- Make payments site-neutral and patient-centered
  - Pay for all ACH and LTCH cases in the IPPS
    - ACH CCI = patient has 8+ ICU days during stay
    - LTCH CCI = patient has 8+ ICU days during immediately preceding ACH stay.
  - Modify the IPPS to better align payments and costs for CCI patients

Approach 1: Expand outlier policy for CCI cases in both ACHs and former LTCHs

- IPPS payment rates for all cases in both types of hospitals
- More generous outlier policy for CCI cases in both types of hospitals
- Maintain current IPPS outlier policy for non-CCI cases in both types of hospitals

Approach 2: Create new CCI MS-DRGs

- IPPS payment rates for all cases in both types of hospitals
- New CCI MS-DRGs with higher weights (and lower weights for remaining DRGs)
- Uniform outlier policy for all cases in both types of hospitals

Expected effects of MedPAC approaches

- Reduced incentives for LTCHs to admit patients who are not appropriate candidates for LTCH services
- Incentive to increase ICU days
- Improved payment equity
- Change in aggregate payments
  - Higher for ACHs that serve CCI patients
  - Lower for LTCHs

CMS discussion of framework for LTCH payment reform

- Would retain separate LTCH PPS with required ALOS > 25 days
- Appropriate LTCH patients have:
  - Specific clinical characteristics (prolonged mechanical ventilation, severe wounds, sepsis, multiple organ failure, or stroke)

  and

  - 8+ ICU days during immediately preceding ACH stay

CMS discussion of framework for LTCH payment reform, cont.

- Would maintain higher LTCH payment rates for LTCH CCI cases
- IPPS-equivalent payment rates for LTCH non-CCI cases
- No change to payment rates for IPPS cases

Expected effects of CMS framework

- Reduced incentives for LTCHs to admit patients who are not appropriate candidates for LTCH services
- Fewer incentives to increase ICU days
- Improved payment equity across sites of care for non-CCI cases
  - Differential payment would continue for CCI cases
- Reduction in aggregate LTCH payments

Next steps

- Estimate impacts for MedPAC approaches 1 and 2
- Develop model and estimate impacts for CMS framework