

Advising the Congress on Medicare issues

Assessing payment adequacy and updating payments: Long-term care hospital services

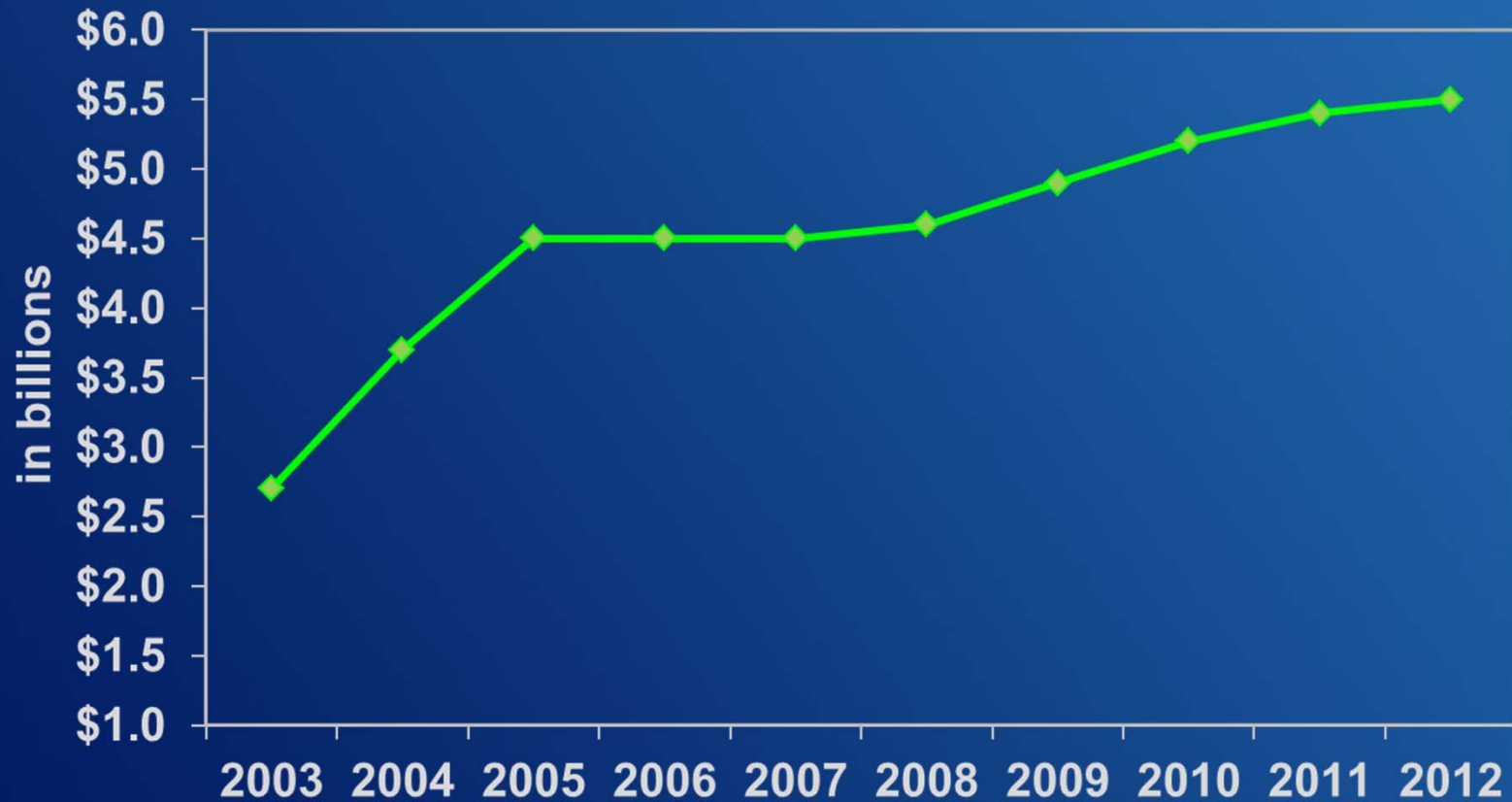
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Long-term care hospitals

- Provide hospital-level care for extended periods
- Must have Medicare ALOS > 25 days
- Medicare spending: \$5.5 billion in 2012
 - Facilities = 420
 - Cases = 140,500
 - Mean payment per case = \$39,500
- Per case payments based on MS-LTC-DRGs, adjusted for:
 - Outliers (high cost, short-stay)
 - 25 percent rule

Medicare spending for LTCH services, 2003-2012



Results are preliminary and subject to change.

Source: MedPAC analysis of MedPAR data from CMS.

Payment adequacy framework

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

Access to care

- Change in supply and use of services
- Difficult to assess the need for LTCH services:
 - No established criteria for admission
 - Many beneficiaries live in areas without LTCHs and receive similar care in other settings
 - Outcomes comparable to those for similar patients in other settings

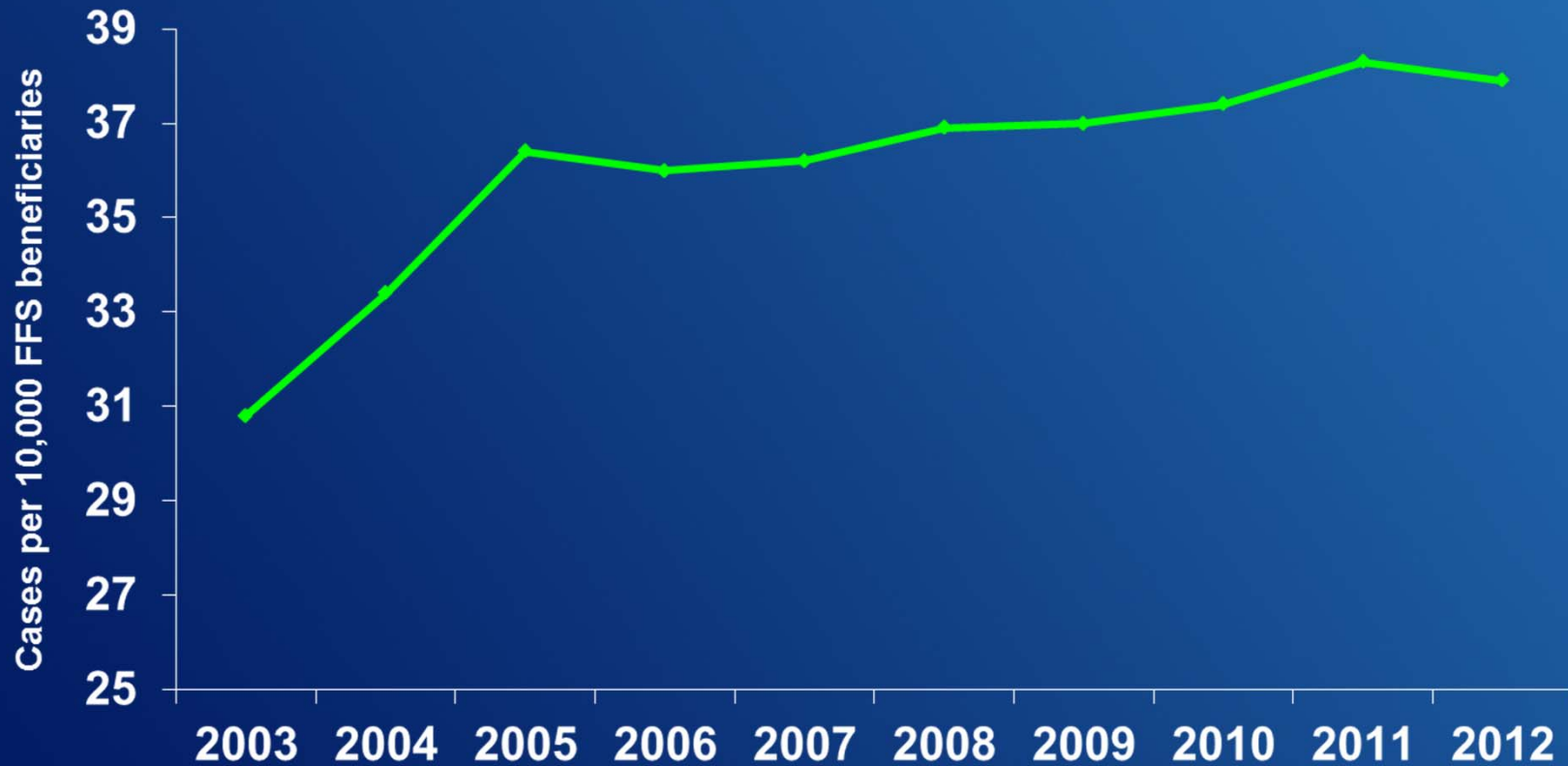
Moratorium stabilized growth in LTCHs & beds



Results are preliminary and subject to change.

Source: MedPAC analysis of cost report data from CMS.

Volume of LTCH services declined one percent



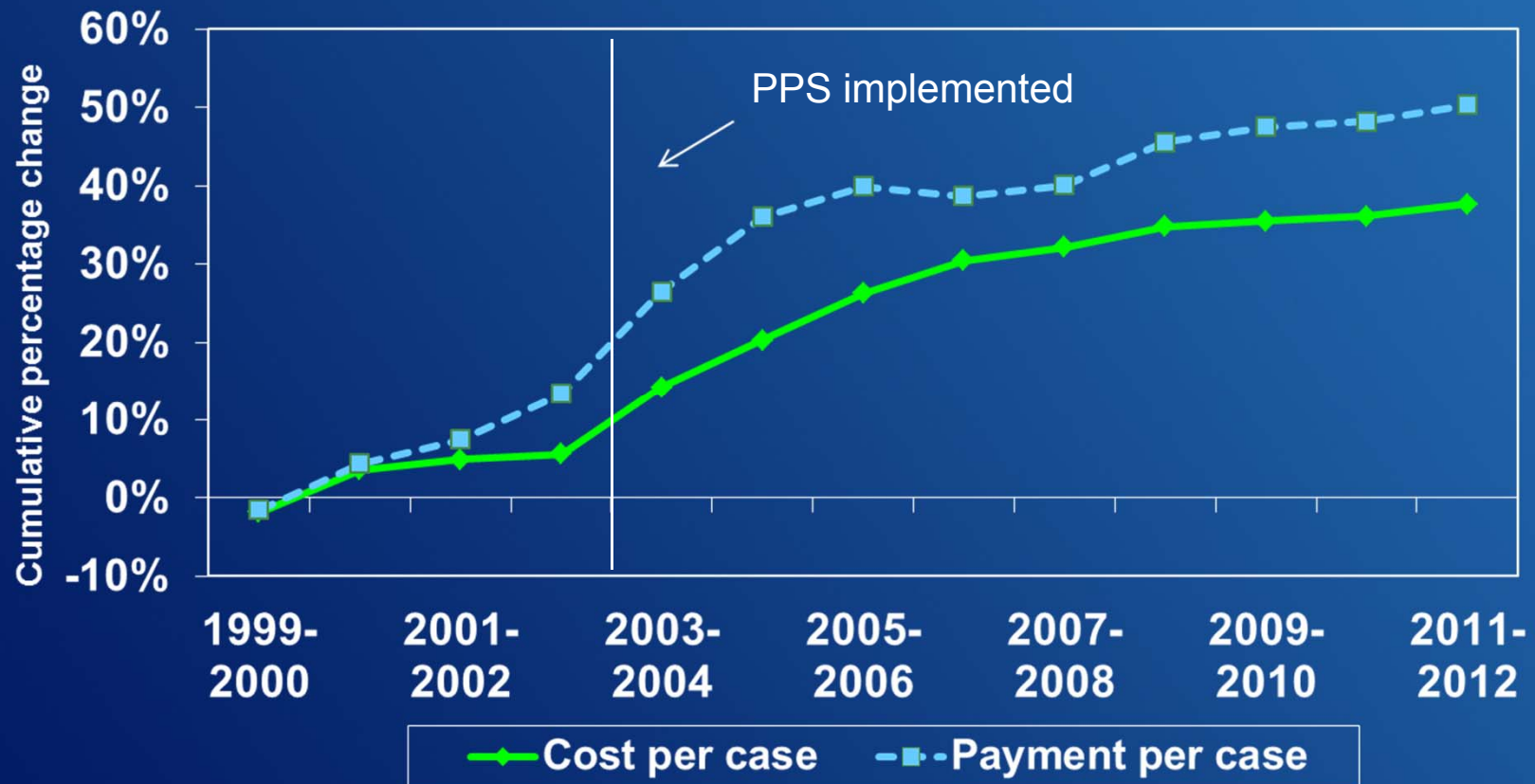
Quality: Stable for limited available measures

- Readmission and mortality rates stable or declining for most of the top diagnoses
- LTCH mortality:
 - 25% die in LTCH or within 30 days of discharge; varies by case type:
 - Septicemia w/ prolonged mechanical ventilation = 50%
 - Cellulitis w/o major complications or comorbidities = 4%
- Pay-for-reporting program begins FY14
 - Catheter-associated urinary tract infections
 - Central-line associated bloodstream infections
 - New or worsened pressure ulcers

Access to capital: Industry taking a “wait and see” approach

- 5-year moratorium on new facilities expired December 2012
- Uncertainty about regulatory oversight and possible Congressional action continues to limit activity
- Some LTCHs continue to diversify in preparation for possible policy changes

Growth in LTCHs' per case payments outpaces cost growth



LTCH Medicare margins, 2012

	% of LTCHs	% of cases	Margin
All LTCHs	100%	100%	7.1%
Bottom 25 th	25	19	-12.8
Top 25 th	25	26	20.5
Urban	94	95	7.2
Rural	6	4	3.4
For-profit	77	84	8.9
Nonprofit	19	14	-1.4

Government-owned LTCHs are not shown. Percentages may not sum to 100% due to rounding. Results are preliminary and subject to change.

High- and low-margin LTCHs, 2012

	High-margin LTCHs	Low-margin LTCHs
Mean total discharges (all payer)	510	409
Occupancy rate	76%	56%
Standardized cost per discharge	\$28,356	\$38,743
Medicare payment per discharge	\$39,405	\$39,605
High-cost outlier payment per discharge	\$1,311	\$4,980
Short-stay cases	25%	30%
Mean case mix index	1.13	1.05
For-profit share of facilities	91%	66%