

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

Kathryn Linehan
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Long-term care hospital definition and payment

- Meet Medicare's conditions of participation for acute care hospitals (ACHs)
- Have an average length of stay greater than 25 days for certain Medicare cases
- Paid per-discharge under the LTCH PPS for cases that immediately follow an ACH discharge and had either 3+ days in an intensive care unit or received prolonged mechanical ventilation in the LTCH
- 2016 to 2019 site neutral rates phased in, full phase in in 2020 interrupted by the public health emergency

Federal support to LTCHs during the PHE

- Federal grants and loans (e.g., Provider Relief Fund, Paycheck Protection Program)
- Suspension of 2-percent sequestration payment adjustment
- LTCH-specific policies
 - CMS waived the 25-day average length-of-stay requirement
 - CARES Act of 2020: All stays paid the LTCH standard PPS rate, waiver of requirement to maintain at least 50 percent qualifying cases

Long-term care hospital summary, 2020

- Average Medicare payment per case:
 - ~\$45,000 (all cases)
 - ~\$50,000 (cases meeting the LTCH PPS criteria)
- Total Medicare cases: ~78,000
- Total facilities: 348
- Total Medicare spending: \$3.4 billion

MedPAC's framework for assessing payment adequacy for LTCHs



Access to care

- Supply and capacity
- Volume
- Marginal profit



Quality of care

- Risk-adjusted PAC measures



Access to capital

- All-payer profitability
- Transaction activity

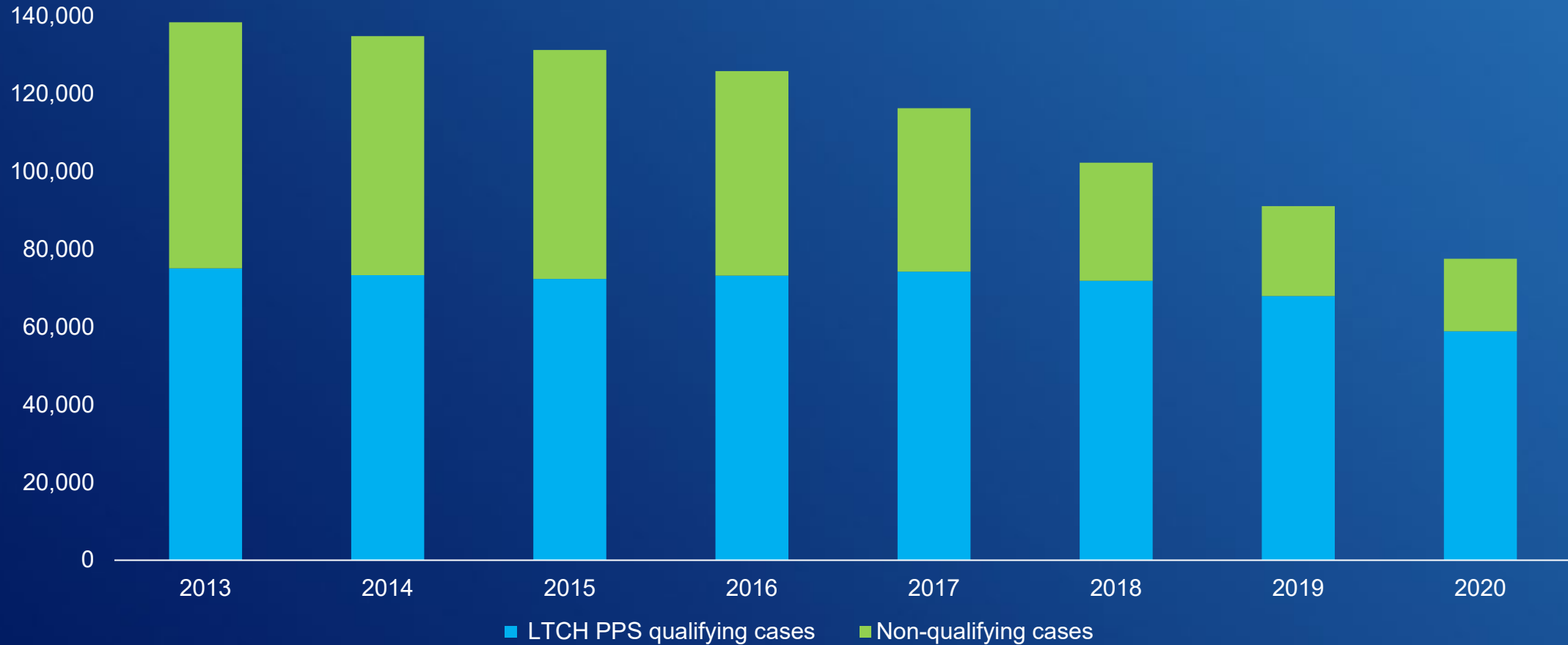


Medicare payments and providers' costs

- Medicare payments and providers' costs
- Margins and projected margins

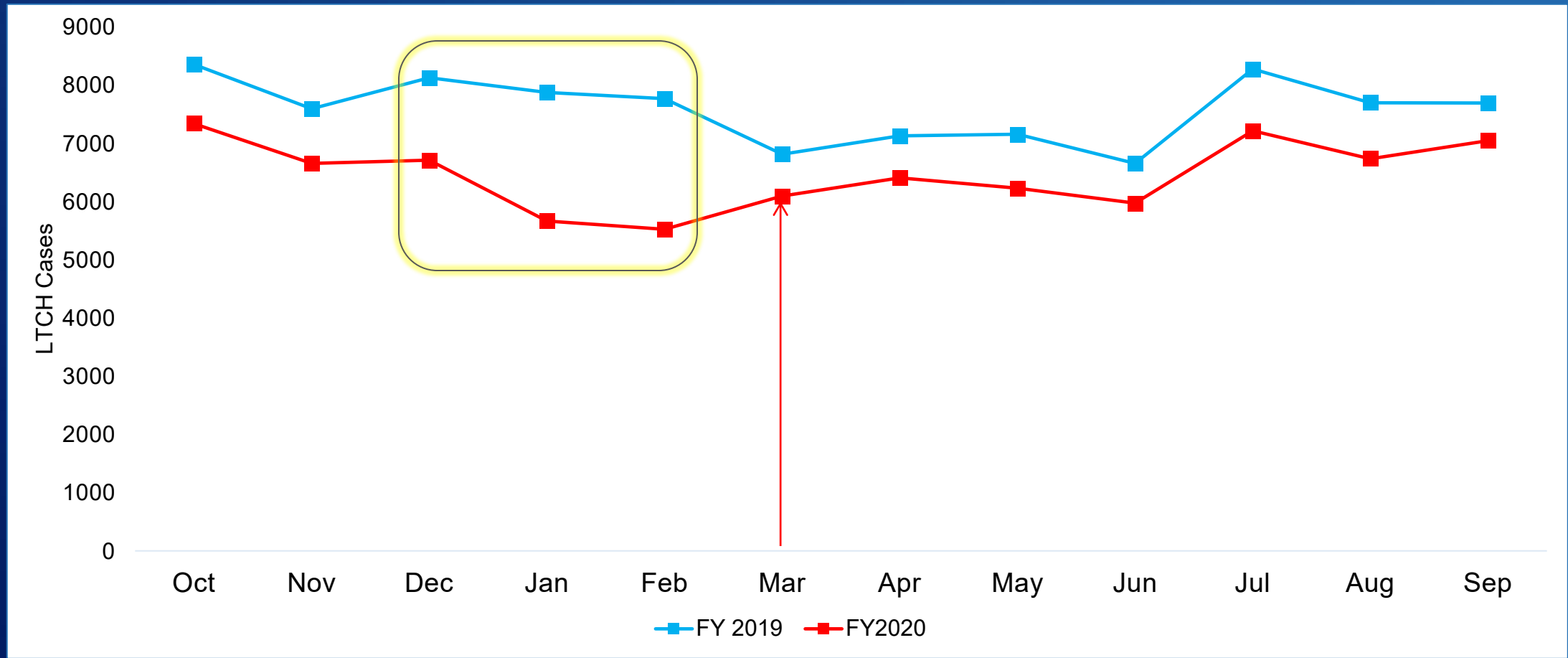
Update recommendation for payment system base rates

LTCH use declined in 2020, but had been declining prior to the PHE



Note: Results are preliminary and subject to change.

Largest monthly declines in LTCH use in 2020 occurred prior to PHE, likely in response to payment system incentives



Supply of LTCHs, occupancy, and marginal profit suggest access is adequate

Supply decreased

- 3.6 percent reduction in number of LTCHs from 2019 to 2020

Occupancy steady

- 65 percent in 2020

Marginal profit suggests incentive to serve Medicare beneficiaries

- 18 percent across all LTCHs in 2020
- 20 percent for LTCHs with a high share of cases meeting the LTCH PPS criteria

Quality of care: Difficult to assess in 2020

- Risk-adjusted rates of hospitalizations increased and rates of successful discharge to the community increased in 2020
- We can't draw conclusions about trends in the quality of care provided to Medicare beneficiaries and their relationship to Medicare payment adequacy in 2020
 - 2020 indicators reflect temporary changes unique to the PHE
 - PAC quality metrics rely on risk-adjustment models that do not include new COVID-19 diagnosis information

Access to capital: All payer margins increased in 2020

	2019	2020
All LTCHs	2%	4%
LTCHs with high share (>85%) of PPS qualifying cases	3%	6%

Medicare payments and costs: Payments per case grew more than providers' costs per case in 2020

	All LTCHs	LTCHs with >85% qualifying cases
Payments per case	9.1%	8.7%
Costs per case	4.2%	4.9%

Higher growth in payments per case than costs per case reflects temporary payment increases for site-neutral cases and suspension of the 2-percent sequestration adjustment

Aggregate Medicare margins increased in 2020

	2018	2019	2020
All LTCHs	-0.5%	-1.6%	3.6
LTCHs with high share (>85%) of PPS qualifying cases	4.7	2.9	6.9

With share of relief funds allocated to Medicare payments, aggregate margins were 5 percent for all LTCHs, and 7.8 percent for LTCHs with a high share of qualifying cases.

COVID-19 and temporary PHE-related policies affected LTCH payment adequacy indicators in 2020



Access to care

- Volume decline
- Occupancy rate steady
- Supply decreased, but less than pre-PHE
- Marginal profits increased



Quality of care

- Difficult to assess in 2020



Access to capital

- All-payer margin increased
- Largest provider of LTCH services acquired multiple facilities



Medicare payments and providers' costs

- Medicare margin for LTCHs with a high share of qualifying cases: 6.9%