Congressional request: Medicare and inpatient psychiatric facility care

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Congressional request from Chairman of the Committee on Ways and Means

- Update the Commission's prior analysis on IPFs (access to care, quality, and Medicare payments and costs) (today)
  - Beneficiaries reaching the 190-day lifetime limit
- Describe use of outpatient mental health services including tele-mental health (future meeting)
- Describe use of mental health services by Medicare Advantage enrollees (today and future meeting)

- Informational chapter in the June 2023 report to the Congress

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Note: IPF (inpatient psychiatric facility).

Inpatient psychiatric facility (IPF) services

- Beneficiaries experiencing an urgent mental health or substance use-related crisis
- Care provided in freestanding psychiatric hospitals or distinct units in acute care hospitals
  - 24-hour care in structured, intensive, and secure setting
  - Individual and group therapy, psychosocial rehabilitation, prescription drugs, electroconvulsive therapy
- Covered by Part A; services from physicians covered by Part B

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Note: IPF (inpatient psychiatric facility).

IPFs paid through a prospective payment system (PPS)

- Per diem base rate ($866 in FY 2023)
- Adjusted for characteristics:
  - Geographic: wage index, cost of living for certain states, rural location
  - Patient: age, principal diagnosis, comorbidities, electroconvulsive therapy, length of stay
  - Facility: teaching status, presence of an emergency department
- Outlier payment for high costs drawn from 2% of payments (fixed loss threshold of $24,630 in FY 2023)

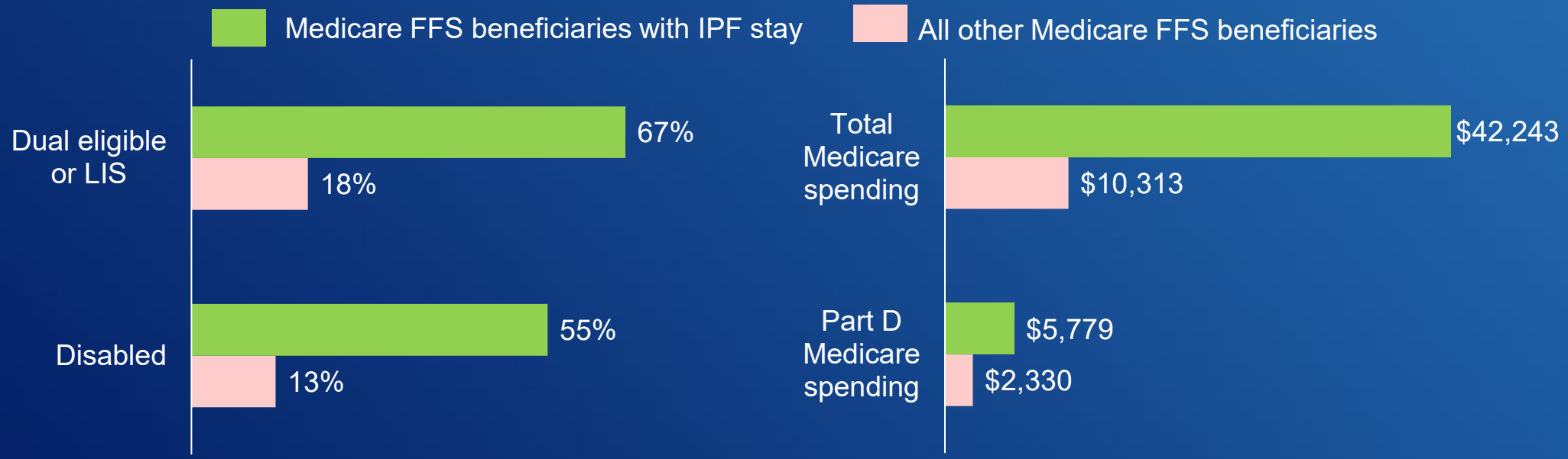
Note: IPF (inpatient psychiatric facility), PPS (prospective payment system), FY (fiscal year). Results are preliminary and subject to change.

IPF summary, FY 2019 and FY 2020

	2019	2020
Total IPFs	1,542	1,529
Total number of Medicare FFS beneficiaries treated	230,700	189,400
Total Medicare FFS stays	345,900	282,900
Medicare spending (billions)	$3.9	$3.4

MEDPAC Note: IPF (inpatient psychiatric facility), FFS (fee-for-service), FY (fiscal year). Results are preliminary and subject to change.

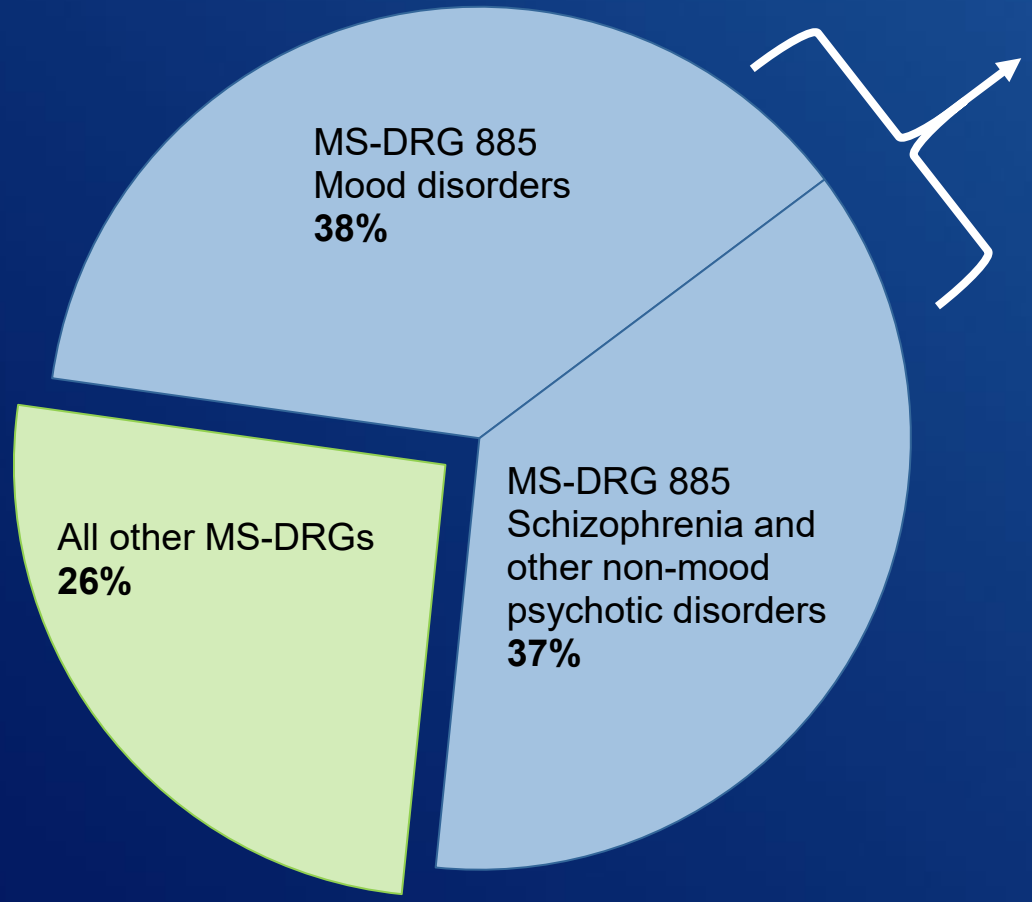
Beneficiaries using IPFs among the most vulnerable and costly, FY 2020



- Beneficiaries with IPF stay also had higher risk scores, greater prevalence of chronic conditions, were younger, and were more likely to be Black compared other FFS beneficiaries

Note: IPF (inpatient psychiatric facility), FY (fiscal year), FFS (fee-for-service), LIS (low-income subsidy). Data for low-income and disabled status include beneficiaries with an IPF stay ending in fiscal year 2020. Data for total Medicare and Part D Medicare spending are for calendar year 2020. Part D Medicare spending included only those FFS beneficiaries enrolled in Part D. Results are preliminary and subject to change.

Majority of IPF stays grouped in 1 of 17 MS-DRGs, FY 2020



- MS-DRG 885 psychosis (74%)
  - Mood [affective] disorders (38%)
  - Schizophrenia, schizotypal, delusion, and other non-mood psychotic disorders (37%)
- All other MS-DRGs (26%)
  - Organic disturbances (7%)
  - Alcohol/drug dependency (6%)
  - Nervous system disorder (5%)
  - Neurosis (4%)
  - Other psychiatric (2%)
  - Other non-psychiatric (1%)

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Note: MS–DRG (Medicare severity diagnosis related group), FY (fiscal year). Components may not sum to total to rounding.
Results are preliminary and subject to change.

Updating the Commission's prior analysis on IPFs

- Access to care – supply, capacity, and volume
- Quality of care
- Medicare payments and providers' costs

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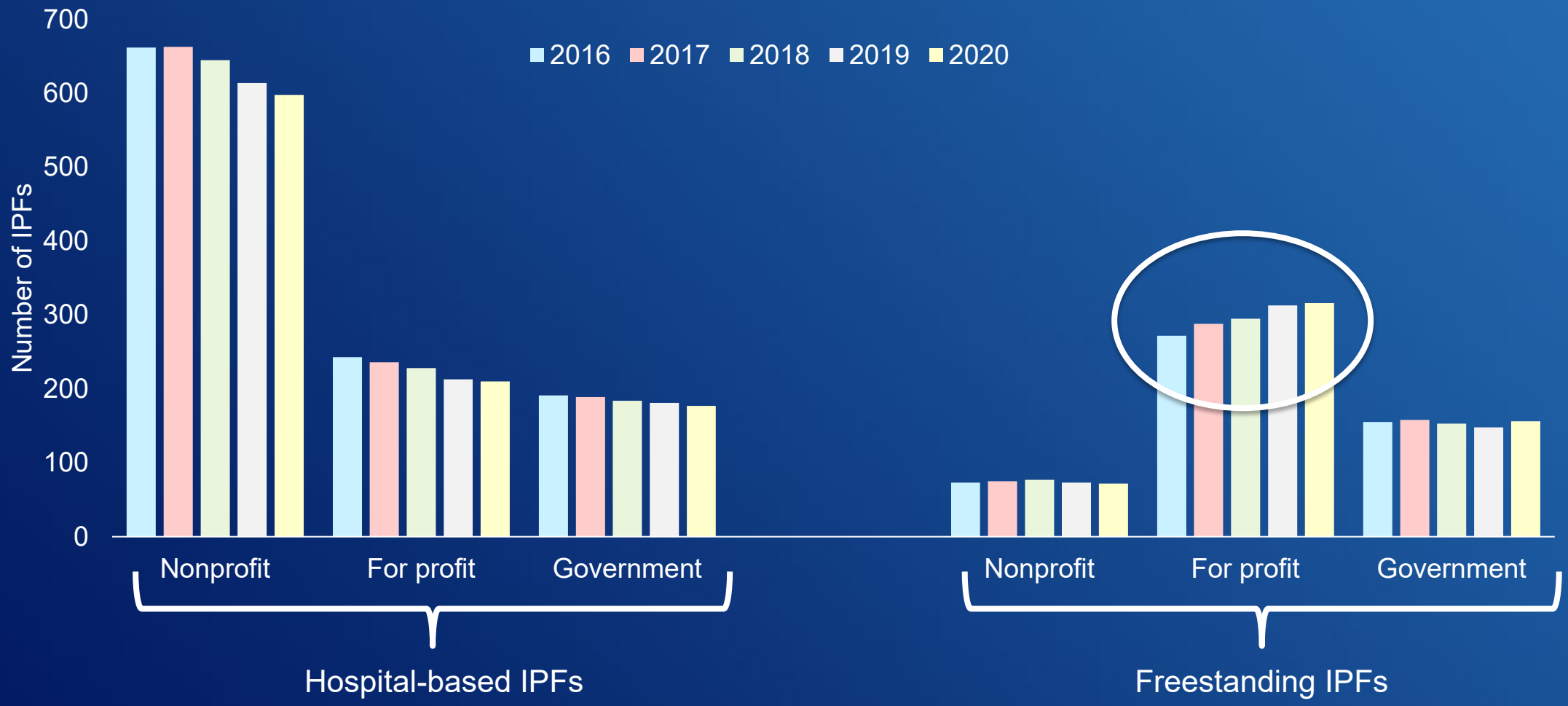
Note: IPFs (inpatient psychiatric facilities).

Overall decline in IPFs, but growth in freestanding for-profit IPFs



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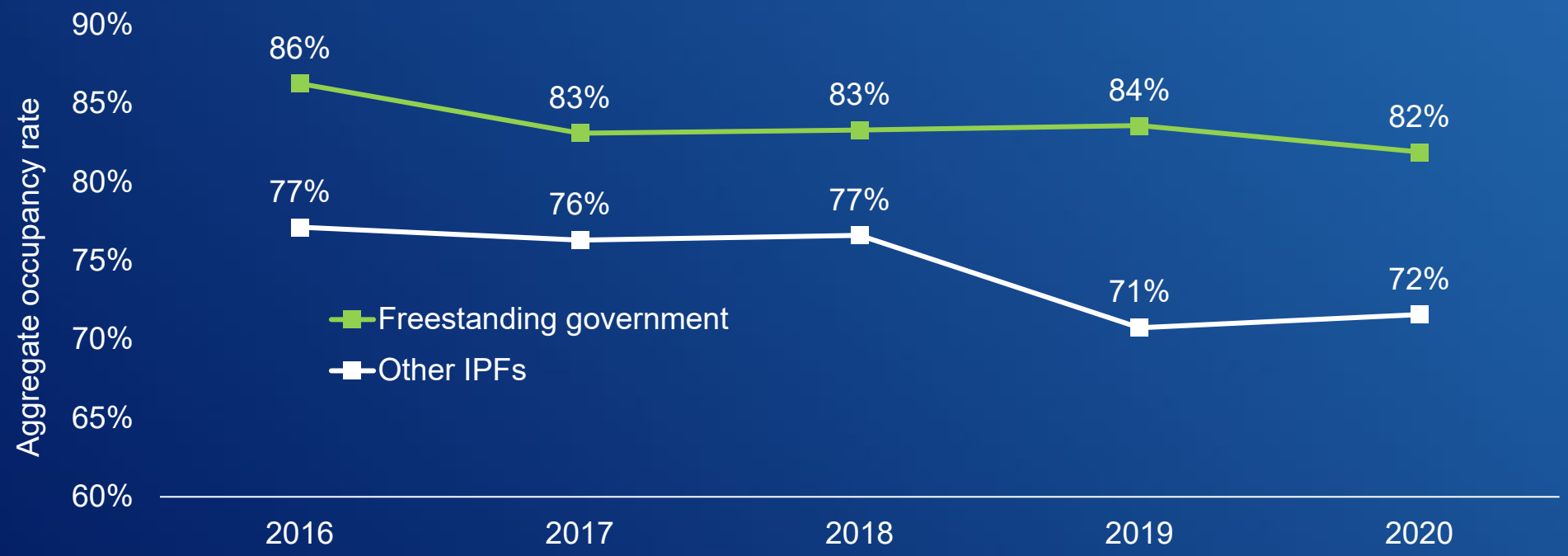
Declining IPF use by Medicare FFS beneficiaries

Change in:	Average annual change 2016-2019	2019-2020
IPF stays per 1,000 FFS beneficiaries	-5.1%	-16.2%
Unique beneficiaries using IPFs	-5.7%	-17.9%
Medicare spending (in billions)	-3.1%	-13.0%
Length of stay (in days)	1.0%	4.2%
Medicare payment per stay	2.8%	6.4%

Note: IPF (inpatient psychiatric facility), FFS (fee-for-service). Data exclude scatter beds (beds used in acute care hospitals to treat patients with psychiatric or substance use related conditions). Results are preliminary and subject to change.

High occupancy rates at freestanding government IPFs



- High occupancy rates for psychiatric hospitals that serve the most seriously mentally ill patients
- Occupancy rates for other IPFs indicate some capacity

MEDPAC Note: IPFs (inpatient psychiatric facilities). Results are preliminary and subject to change.

Medicare Advantage (MA) enrollees' use of IPFs, 2019

- MA encounter and claims data
- Identified ~120,000 MA enrollees using IPFs (0.5% of MA enrollees)
- Demographic differences between FFS and MA beneficiaries using IPFs reflected overall differences in the populations
- Some differences in principal diagnosis between MA and FFS; compared to FFS, MA enrollees were:
  - More likely to have a mood disorder (50% vs. 44%)
  - Less likely to have schizophrenia (30% vs. 34%)

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Note: IPFs (inpatient psychiatric facilities), MA (Medicare Advantage), FFS (fee-for-service). Results are preliminary and subject to change.

Treatment in freestanding IPFs subject to a lifetime limit of 190 days

- Enacted in 1965 when IPF care was mostly provided by government freestanding facilities
- Limit does not apply to hospital-based IPFs (60% of IPF stays)
- For the cohort of beneficiaries with Medicare FFS in 2019, we examined use of IPFs from their initial Medicare enrollment through July 2022 and found:
  - 722,000 beneficiaries had used at least one day at a freestanding IPF
  - 35,000 beneficiaries had exhausted all 190 days
  - 9,000 beneficiaries were within 15 days of reaching the limit

Note: IPFs (inpatient psychiatric facilities), FFS (fee-for-service). Results are preliminary and subject to change.

Quality of care: Data provided by IPFs is limited

- IPFQR program focuses predominantly on process measures
- Providers report results in aggregate
- Beginning in 2023, providers must report patient-level results
- One outcome measure: *30-day all-cause unplanned readmission following psychiatric hospitalization*
  - Mean of 20 percent

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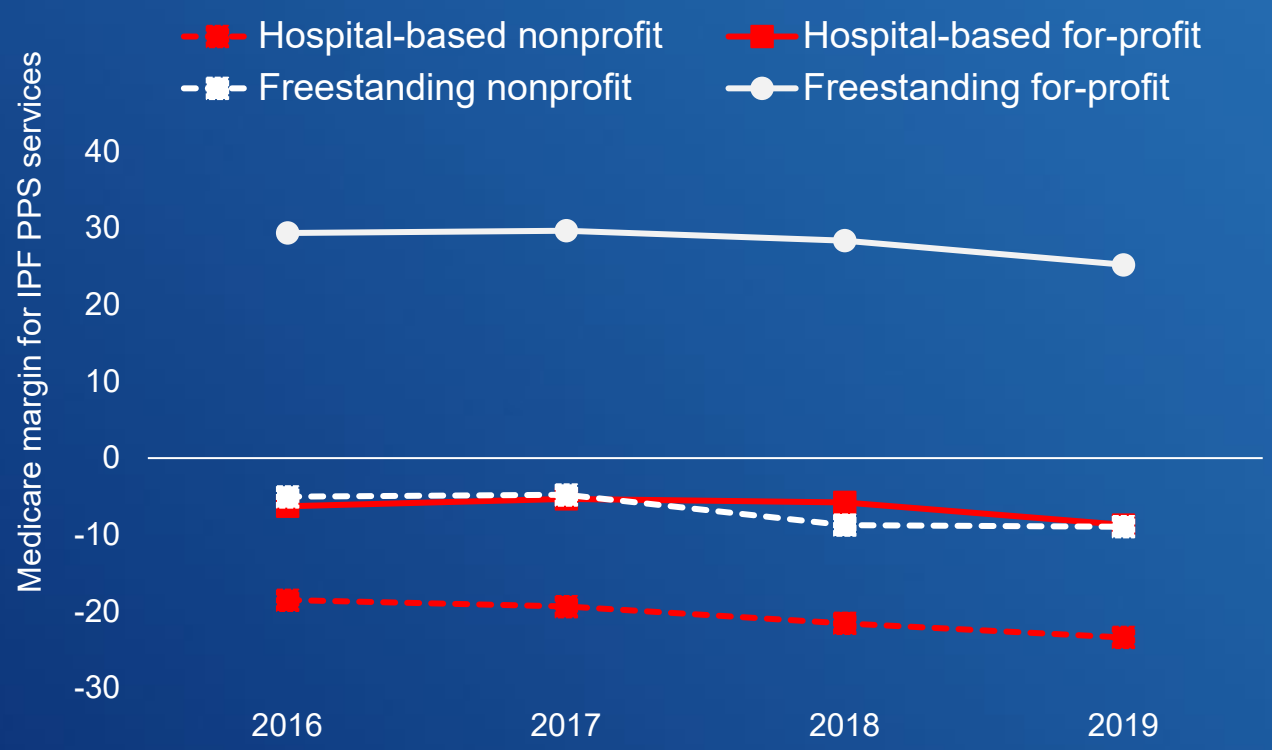
Note: IPF (inpatient psychiatric facility), IPFQR (inpatient psychiatric facility quality reporting). Results are preliminary and subject to change.

Wide variation in aggregate Medicare margins for IPF PPS services, 2019

- Declining Medicare margins since 2016
- Aggregate Medicare IPF margin was -2.1% in 2019
- High Medicare margins among freestanding for-profit IPFs (25.2%)
- Substantial variation in costs (low costs among freestanding for-profit IPFs)



Note: IPFs (inpatient psychiatric facilities), PPS (prospective payment system). Represents aggregate Medicare margins for services paid under the IPF PPS. Figure excludes government IPFs. Results are preliminary and subject to change.

Payment accuracy may be affected by unmeasured patient severity

- Nearly 75% of beneficiaries grouped into the psychosis MS-DRG
- Studies have found daily resource use is affected by factors not available on administrative data:
  - Deficits in activities of daily living
  - Indicators of “serious danger to self or others”
  - Involuntary admission

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Note: IPFs (inpatient psychiatric facilities), MS-DRG (Medicare severity diagnostic related group). Results are preliminary and subject to change.

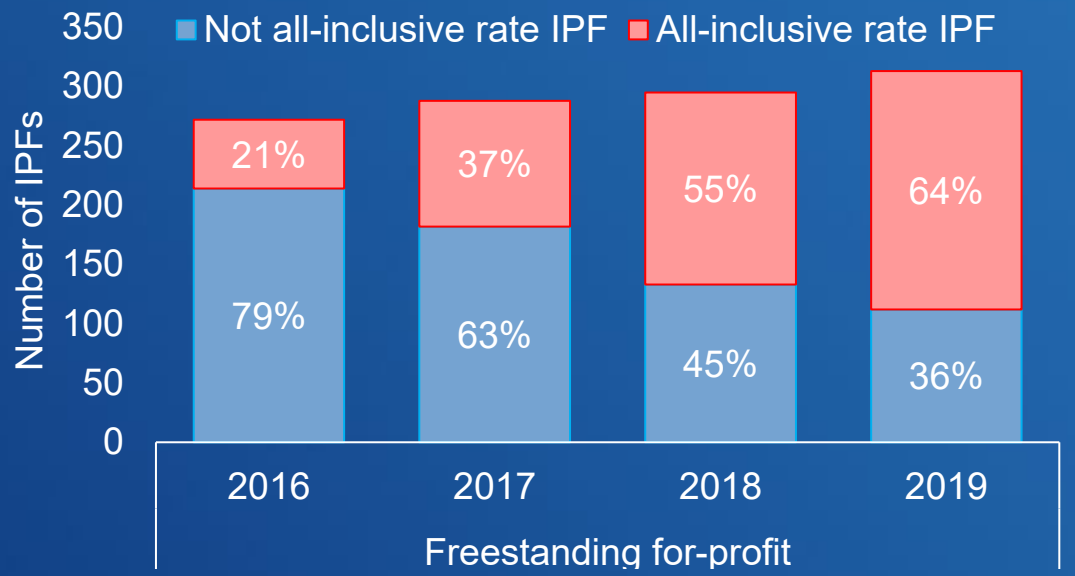
Ancillary services important component of IPF costs

- IPFs must report their costs for providing care:
  - Routine costs (facility-level) – staffing and room & board
  - Ancillary costs (specific to each stay) – prescription drugs, laboratory services, radiology
    - Important source of patient variation in costs
- "All-inclusive rate" hospitals do not apportion costs for each ancillary service (common among government IPFs)
- CMS began enforcing requirement to submit ancillary costs for non-all-inclusive rate IPFs in 2017 and 2018

Note: IPF (inpatient psychiatric facility).

Poor reporting of ancillary services by some IPFs may affect payment accuracy

- Recent growth in IPFs designating an "all-inclusive rate" driven by freestanding for-profit IPFs
- In addition, some non-all-inclusive rate IPFs not reporting ancillary services
  - 43% of stays at freestanding for-profit IPFs have no drug costs reported
  - Very few stays at hospital-based IPFs have no drug costs reported
- Overall, 32% of stays have no prescription drug ancillary services



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More information needed to assess quality of care and payment accuracy

- Access to care
  - Supply steady
  - Volume declined
  - Occupancy rates high for some types of IPFs
- Quality of care
  - Difficult to assess with existing quality measures
- Medicare payments and providers' costs
  - Medicare margins for IPF PPS services highly variable
  - Payment accuracy difficult to assess

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Next steps and discussion

- Update analyses with 2020 and 2021 data
- Conduct interviews with IPFs in the Fall
- Conduct analyses of Medicare beneficiaries' use of outpatient behavioral health services
- Chapter in June 2023 report to the Congress

Questions? Feedback?

Note: IPFs (inpatient psychiatric facilities).