Mandated report: Evaluation of a prototype design for a post-acute care prospective payment system

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September 29, 2022
Roadmap

- Why the interest in a unified prospective payment system (PPS) for post-acute care (PAC) providers
- Mandate
- Commission’s past work
- Changes in the PAC landscape
- Challenges to implementing a PAC PPS
- Work plan for completing the mandated report
Why the interest in a unified PAC PPS?

- Overlap in the patients treated in different PAC settings, with different payment rates for similar patients
- Shortcomings in the designs of the HHA and SNF PPSs
- Different quality measures and patient assessments made comparing patient across settings difficult
- The Improving Medicare Post-Acute Care Transformation (IMPACT) Act of 2014 required:
  - Uniform patient assessment items and quality measures
  - Reports on a PAC PPS design
Mandated reports on PAC PPS designs

- Law required three reports on a unified PAC PPS
  1) MedPAC report submitted in June 2016
  2) Secretary of HHS report submitted in July 2022
  3) MedPAC report due June 30, 2023
- The designs must span the four PAC settings and base payments on patient characteristics, not the setting where the care was furnished

- Note: Reports were mandated in the Improving Medicare Post-Acute Care Transformation Act of 2014
MedPAC’s work on a unified payment system

**Design features**
- Report mandated by the IMPACT Act of 2014
- Commission issued its report in June 2016

**Implementation issues**
- Strong Commissioner interest to further build out how a PAC PPS would be implemented
- Commission-initiated work included in June 2017, 2018, and 2019 reports

**Value incentive programs**

Note: PAMA (Protecting Access to Medicare Act of 2014)
Mandated report: Design features of a PAC PPS

<table>
<thead>
<tr>
<th>Unit of service (a stay)</th>
<th>Uniform base rate except HHA adjuster</th>
<th>Other payment adjusters</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Evaluated an episode-based design</td>
<td>• Need a HHA adjuster to prevent over-payments for HHA stays and under-payments for institutional PAC stays</td>
<td>• Case mix</td>
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<tr>
<td></td>
<td></td>
<td>• Targeted rural payment policy</td>
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<tr>
<td></td>
<td></td>
<td>• Adjustment for timing of HHA stays</td>
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<tr>
<td></td>
<td></td>
<td>• Outlier policies for short stays and high-cost stays</td>
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<tr>
<td></td>
<td></td>
<td>• No IRF teaching adjustment</td>
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</tbody>
</table>

All design features were discussed in the June 2016 report except the adjustment for the timing of HHA stays (June 2018)
### Evaluation of a PAC PPS design

<table>
<thead>
<tr>
<th>Aspect examined</th>
<th>Conclusion</th>
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</thead>
<tbody>
<tr>
<td>Accuracy of payments</td>
<td>Payments would be accurate</td>
</tr>
<tr>
<td>Equity of payments</td>
<td>Equity of payments would increase</td>
</tr>
<tr>
<td>Impacts</td>
<td>Redistribution of payments:</td>
</tr>
<tr>
<td></td>
<td>From rehabilitation to medically complex care</td>
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<tr>
<td></td>
<td>From high-cost to low-cost settings</td>
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</table>
# Implementation issues (reports in June 2017, 2018, and 2019)

<table>
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<tr>
<th>Aspect examined</th>
<th>Conclusion</th>
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<tr>
<td>Level of payments</td>
<td>Commission recommended lowering the aggregate level of payments by 5% when a PAC PPS is implemented</td>
</tr>
<tr>
<td>Transition to new payment system</td>
<td>Commission recommended a relatively short transition</td>
</tr>
<tr>
<td>Align regulatory requirements</td>
<td>Proposed a shift to patient-centered regulatory requirements</td>
</tr>
<tr>
<td>Align benefits and cost sharing</td>
<td>Outlined the tradeoffs inherent in aligning benefits and cost-sharing</td>
</tr>
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</table>
Value incentive payment (VIP) program

- A VIP program should accompany a PAC PPS
- Two Congressional mandates on value incentive programs

<table>
<thead>
<tr>
<th>SNF value-based purchasing program (June 2021)</th>
<th>PAC value incentive program (March 2022)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Analyzed the design and impacts of the program</td>
<td>Developed a unified value incentive program</td>
</tr>
<tr>
<td>Recommended eliminating and replacing it with a different design</td>
<td>Outlined key questions policymakers will need to consider when designing a program</td>
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</table>

- Reports build on the Commission’s principles for value-based payments
Changes in the PAC landscape that may shape the design and impacts of a PAC PPS

- New PPSs for SNF and HHA, new criteria for LTCH payments
- Impacts of COVID-19
  - Providers’ costs, staffing, and service provision
  - Beneficiaries’ use of PAC and their severity of illness
- Expansion of alternative payment models
  - Illustrate potential to shift PAC use to lower cost-settings and to shorten lengths of stays
Challenges to implementing a unified PAC PPS

- Aligning regulatory requirements for a new “PAC” provider
- Accurately measuring the functional status of patients
- Addressing anomalies in data from years with large COVID-19 effects on providers and patients
Despite challenges, PPS is possible

- Rationales for a PAC PPS remain
  - Providers’ responses to the new HHA and SNF PPSs are consistent with those that would occur with a PAC PPS
- Our work showed that an accurate PAC PPS is feasible using existing uniform data
- The brunt of COVID-19 impacts on providers can be dampened by using a relatively recent year of data and periodic revisions
Secretary’s PAC PPS prototype design

- Prototype should be revised with more recent data to reflect
  - Impacts of COVID-19
  - Changes to the existing PPSs

Not shown: Payments are adjusted for area wage index
Secretary’s report on a unified PAC PPS, continued

- Estimates the model accuracy and impacts on payments to providers
- Does not include recommendations or policy options
- Includes discussions of:
  - Quality measures and a value-based purchasing program
  - Regulatory alignment
  - Aligning cost sharing
Planned analyses of the Secretary’s prototype design and impacts

<table>
<thead>
<tr>
<th>Design features</th>
<th>Payment accuracy and equity</th>
<th>Impacts</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Update analysis of design features</td>
<td>• Compare estimated payments to actual costs</td>
<td>• Examine impacts of PAC PPS payments on different types of cases and providers</td>
</tr>
<tr>
<td>• Compare prototype to preferred features</td>
<td>• Report prototype’s ability to explain cost variation</td>
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### Planned analyses of a PAC PPS, continued

#### Additional diagnostics to assess design
- Outline analyses CMS should complete when assessing a updated design using more recent data

#### Implementation issues
- Analyses of implementation features (level of payments, transition)
- Review complementary policies that should accompany a PAC PPS
Timetable and discussion

November 2022
• Analysis of Secretary’s prototype design

March 2023
• Identify additional diagnostics
• Review implementation issues
• Consider draft report and recommendation

April 2023
• Final discussion of draft report
• Vote on draft recommendation

June 2023
Include chapter in June report

Discussion: Comments on proposed analytic plan
What information will you need to get to a recommendation?