

Assessing payment adequacy and updating payments:
Skilled nursing facility services
Home health agency services
Inpatient rehabilitation services
Long-term care hospital services

January 13, 2022

Assessing payment adequacy and updating payments: Skilled nursing facility services

Carol Carter
January 13, 2022

Overview of the skilled nursing facility industry in 2020

Providers

About 15,000

Most also provide long-term care

Medicare spending

\$28.1 billion

Medicare users

1.2 million

3% of FFS beneficiaries

Medicare share of:

Facility days: 10%

Facility revenue: 17%

Summary: COVID-19 affected SNF adequacy indicators, but they remained generally positive

Beneficiaries' access to care

- Stable supply
- Volume declines do not reflect adequacy of payments.
- Positive Medicare marginal profit (25%)

Quality of care

- Unique circumstances of PHE confound our measurement and assessment of quality

Access to capital

- Adequate access to capital
- All-payer total margin increased to 3% in 2020

Medicare payments and SNFs' costs

- Aggregate Medicare margin increased substantially in 2020 to 16.5% without relief funds and 19.2% with relief funds
- Median Medicare margin for relatively efficient SNFs= 22.8%
- Projected Medicare margin 2022 margin=14%

Assessing payment adequacy and updating payments: Home health care services; and Mandated report on Bipartisan Budget Act of 2018 changes to the home health payment system

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January 13, 2022

Overview of the home health care industry in 2020

- \$17.1 billion total Medicare expenditures (FFS)
- Over 11,300 agencies
- 3.1 million FFS Medicare beneficiaries received care
- Implementation of Bipartisan Budget Act of 2018 changes to the home health payment system:
 - 30-day unit of payment
 - Elimination of therapy as a payment factor in the case-mix system

Summary: COVID-19 affected HHA adequacy indicators, but they remained generally positive

Beneficiaries' access to care	Quality of care	Access to capital	Medicare payments and HHA costs
<ul style="list-style-type: none"> ▪ 99% live in a county with at least one HHA ▪ Volume decreased; related to PHE ▪ Positive Medicare marginal profits (22.9%) 	<ul style="list-style-type: none"> ▪ Unique circumstances of PHE confound our measurement and assessment of quality 	<ul style="list-style-type: none"> • Positive all-payer total profit margin (8.1%) • Large for-profits continue to have access to capital 	<ul style="list-style-type: none"> • 20.2% aggregate Medicare margin in 2020 (efficient provider median margins over 24%) • Projected Medicare margin for 2022: 17%

Mandated report: BBA 2018 changes to home health care payments did not appear to have a negative effect on access or quality of home health care in 2020, though PHE and lack of telehealth information confounds measuring the impact of these changes

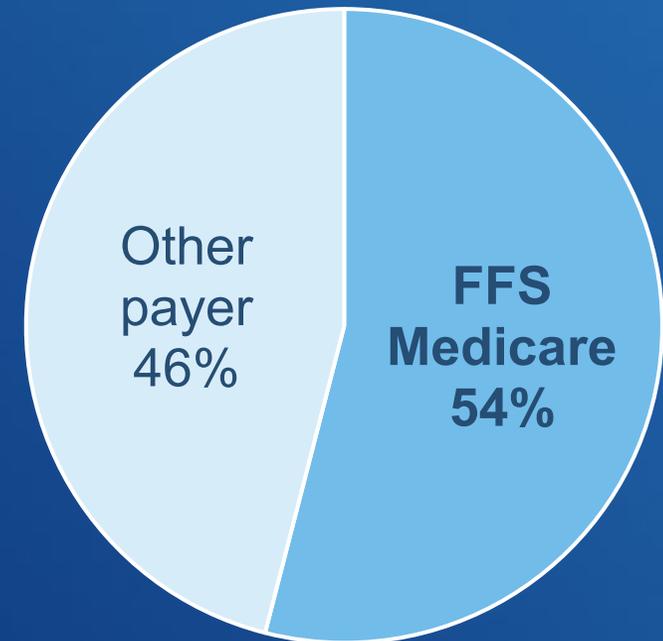
Assessing payment adequacy and updating payments: Inpatient rehabilitation facility services

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January 13, 2022

Overview of inpatient rehabilitation facility industry in 2020

	IRF providers	1,113
	FFS users	335,000
	FFS stays	379,000
	FFS spending	\$8 billion

IRF discharges



Summary: COVID-19 affected IRF adequacy indicators, but they remained generally positive

Beneficiaries' access to care

- Capacity appears adequate
- Decrease in volume
- High Medicare marginal profit
 - FS: 38%
 - HB: 19%

Quality of care

- Measure changes not indicative of changes in quality or payment adequacy

IRFs' access to capital

- IRFs maintain good access to capital markets
- The all-payer total margin for freestanding IRFs is a robust 10.2%

Medicare payments and IRFs' costs

- 2020 aggregate Medicare margin: 13.5%
- 2022 projected Medicare margin: 14.0%

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

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January 13, 2022

Overview of the long-term care hospital sector in 2020

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

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

Beneficiaries' access to care	Quality of care	Access to capital	Medicare payments and costs
<ul style="list-style-type: none">• Volume decline• Occupancy rate steady• Supply decreased, but less than pre-PHE• Medicare marginal profit for all LTCHs: 18%	<ul style="list-style-type: none">• Difficult to assess in 2020	<ul style="list-style-type: none">• All-payer total margin increased• Largest provider of LTCH services acquired multiple facilities	<ul style="list-style-type: none">• 2020 aggregate Medicare margin for LTCHs with a high share of qualifying cases: 6.9%• Projected 2022 margin: 3%