

Effects of the coronavirus public health emergency and considerations for MedPAC's 2022 assessment of Medicare payment adequacy

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MedPAC's assessment of Medicare payment adequacy

- MedPAC annually assesses the adequacy of the base rates for Medicare's fee-for-service payment systems
- This cycle we will be recommending updates for 2023, using data largely from 2020
- Staff will present payment adequacy analyses at the December meeting

MedPAC's framework for assessing payment adequacy



Access to care

- Surveys
- Supply and capacity
- Volume
- Marginal profit



Quality of care

- Mortality and readmissions
- Other clinical outcomes
- Patient experience



Access to capital

- All-payer profitability
- Bonds and construction
- Mergers and acquisitions
- Employment



Medicare payments and providers' costs

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

Update recommendation for payment system base rates

Roadmap

- Review effects of the pandemic and policy responses to the pandemic
- Show how the pandemic may affect our indicators of payment adequacy
- We will examine these indicators, but they will not be clear signals of the adequacy of Medicare payment rates in 2020

The ongoing coronavirus PHE has had devastating effects

- January 2020: Coronavirus PHE declared
- By March 2020:
 - Health care system was strained, personnel faced risks to their health and safety
 - Medicare beneficiaries, particularly those in nursing homes, accounted for a significant share of COVID cases and deaths
 - Volume dropped in all sectors
- After abating, cases and hospitalizations have surged in recent weeks

Medicare policy changes and Federal grants and loans helped providers navigate the PHE

Temporary Medicare policy/payment changes

- Suspension of two-percent sequestration payment adjustment
- Add-on payments for COVID patients
- Expanded access to telehealth services
- Waiver of facility and patient criteria

Key federal grants and loans

- Provider Relief Fund
- COVID-19 Accelerated and Advance Payments Program
- Paycheck Protection Program

Main effects of the PHE and PHE-related policies

- Increased mortality
- Volume decline
- Change in acuity and mix of patients
- Change in providers' costs
- Additional payments to Medicare providers

All of these changes have implications for our various measures of payment adequacy

Access to care: Potential effects of the PHE

Provider capacity and supply

- Capacity constrained in some settings, expanded in others

Volume of services

- Annual volume dropped due to reduced demand/constrained supply; volume reduction was likely mitigated by waivers, telehealth

Marginal profit

- Demand declined and providers may have served fewer beneficiaries regardless of marginal profit
- Providers received one-time payments and faced unique costs during the PHE

Quality measures: Potential effects of the PHE

- Trends in quality measures in 2020 will be confounded by the PHE
 - Hospital and other providers' capacity constraints and patient avoidance of health care settings may affect hospitalizations, readmission rates, discharge rates, and ED use
- Many of CMS's quality reporting programs were revised during the pandemic and were suspended for at least a portion of 2020
 - Hospital Consumer Assessment of Healthcare Providers and Systems (CAHPS) will not be available for first two quarters of 2020
 - Fee-for-service CAHPS data was not collected in 2020

Potential PHE-related effects on access to capital measures

- Many of our metrics of access to capital (all-payer margins, public company financials from SEC filings, and non-profit ratings) could be affected by the influx of government support from PHE-related grants, loans, and payment changes
- Mergers and acquisition activity may be disrupted due to the pandemic

Potential PHE-related effects on Medicare's payments and providers' costs

- Cost per unit
 - Higher costs for PPE, labor, etc.
 - Changes in per-unit fixed costs due to volume decline and case-mix changes
- Payment per unit
 - Changes in payment per unit due to changes in case mix, COVID-19 add on payments, PHE-waiver payments, and outlier payments
 - Sequester suspension increased payments
 - Providers received significant subsidy outside of Medicare payments

Notes on cost report data

- Timing of cost reports: Because providers have different cost reporting years, 2020 cost reports included in this year's analyses will reflect varying numbers of months overlapping with the PHE
- Reporting of provider relief fund payments: May not be complete and accurate

Summary

- The coronavirus pandemic has had a significant impact on beneficiaries and providers
- We will be examining data from 2020 for many of our payment adequacy indicators to inform update recommendations for 2023
- In general, these data will not provide as clear a signal of Medicare payment adequacy
- To the extent that effects of the PHE are temporary or vary significantly across providers in a sector, they are best addressed through targeted temporary policies

Discussion

Staff seek Commissioner guidance on:

- Additional effects of the PHE on our payment adequacy analyses
- Strategies for analyzing or interpreting data from 2020

Staff will present our analyses of payment adequacy at the December meeting