

Assessing payment adequacy and updating payments:

Outpatient dialysis services

Hospice services

Skilled nursing facility services

Home health agency services

Inpatient rehabilitation services

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Assessing payment adequacy and updating payments: Outpatient dialysis services

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Overview of outpatient dialysis services, 2021

- Outpatient dialysis services used to treat individuals with end-stage renal disease (ESRD)
- FFS beneficiaries: About 332,000
- Providers: About 7,880 dialysis facilities
- Medicare FFS dialysis spending: \$10.0 billion

FFS (fee-for-service). Source: MedPAC analysis of 100 percent claims submitted to dialysis facilities to CMS and CMS's Dialysis Compare files.
Data are preliminary and subject to change.

Summary: Outpatient dialysis payment adequacy indicators generally positive

Beneficiaries' access to care

- Growth in provider supply and capacity
- Decline in dialysis beneficiaries and treatments related to increasing MA enrollment
- Medicare marginal profit: 20%

Quality of care

- Increase in home dialysis use
- Decline in readmission rate and ED use
- Increase in all-cause admissions and mortality

Access to capital

- Continued entry of for-profit facilities
- Sector viewed favorably by investors
- All-payer total margin: 17%

Medicare payments and providers' costs

- 2021 aggregate Medicare margin: 2.3%
- 2023 projected aggregate Medicare margin: -0.4%

MA (Medicare Advantage). ED (emergency department). 2021 all payer margin and aggregate Medicare margin do not reflect PHE funds. Data are preliminary and subject to change.

Assessing payment adequacy and updating payments: Hospice services

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January 12, 2023

Overview of Medicare hospice, 2021

- Hospice use:
 - Over 1.7 million beneficiaries
 - Nearly half of decedents
- Providers: Over 5,300
- Medicare payments: \$23.1 billion

Summary: Hospice payment adequacy indicators generally positive

Beneficiaries' access to care	Quality of care	Hospices' access to capital	Medicare payments and hospices' costs
<ul style="list-style-type: none"> • Increase in provider supply • Stable total users, total days; rise in in-person visits • Decline in decedent use rate and LOS • Medicare marginal profit: 18% 	<ul style="list-style-type: none"> • Difficult to assess in 2021 • Most recent CAHPS stable • Visits at end-of-life stable in 2021, after 2020 decline 	<ul style="list-style-type: none"> • Continued entry of for-profit providers • Sector viewed favorably by investors • Provider-based have access via parent provider 	<ul style="list-style-type: none"> • 2020 Medicare margin: 14.2% • 2023 projected margin: 8%

Note: LOS (average length of stay). CAHPS (Consumer Assessment of Healthcare Providers and Systems). Data are preliminary and subject to change.

Hospice aggregate cap

- Cap limits aggregate payments a hospice provider can receive annually (\$32,486.92 in FY 2023 irrespective of geography)
- Hospices that exceed the cap have long lengths of stay and high margins. In 2020:
 - Share of hospices exceeding cap: 18.6%
 - Medicare margin: 23% before and 8% after return of cap overage
- MedPAC has recommended each year since 2020 that the cap be wage adjusted and reduced 20%
 - Would make cap more equitable across providers and focus payment reductions on providers with longest stays and high margins

Assessing payment adequacy and updating payments: Skilled nursing facility services

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January 12, 2023

Overview of the skilled nursing facility sector in 2021

Medicare spending

\$28.5 billion

Providers

About 15,000
(most also provide long-term care)

Medicare share of:

Facility days: 10%
Facility revenue: 16%

Medicare users

1.2 million fee-for-service beneficiaries
(3.4% of fee-for-service beneficiaries)

SNF adequacy indicators are generally positive

Beneficiaries' access to care

- Slight decline but stable supply
- Volume declines do not reflect adequacy of payments
- Medicare marginal profit: 26%

Quality of care

- The pandemic and public health emergency-related policies affect quality measures and interpretation of trends

Access to capital

- Adequate access to capital
- All-payer total margin: 3.4%

Medicare payments and SNFs' costs

- Margins are high: 17.2%
- Relatively efficient provider median margin: 22%
- Projected 2023 margin: 10%

Assessing payment adequacy and updating payments: Home health care services

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January 12, 2023

Overview of the home health care industry in 2021

- \$16.9 billion total FFS Medicare expenditures
- Over 11,400 agencies
- 3.0 million FFS Medicare beneficiaries received care
- Second year of changes to the home health payment system implemented in 2020:
 - 30-day unit of payment
 - Elimination of therapy as a payment factor in the case-mix system

Summary: Home health payment adequacy indicators are positive





Beneficiaries' access to care	Quality of care	Access to capital	Medicare payments and HHA costs
<ul style="list-style-type: none">▪ 98% live in a ZIP code with two or more HHAs▪ Total volume decreased, per-capita volume increased▪ Positive Medicare marginal profit: 25.9%	<ul style="list-style-type: none">▪ The pandemic and public health emergency-related policies affect quality measures and interpretation of trends	<ul style="list-style-type: none">▪ Large for-profit HHAs continue to have access to capital▪ Positive all-payer profit margin (11.9%)	<ul style="list-style-type: none">▪ 2021 Medicare margin: 24.9%▪ Relatively efficient provider median margin over 28%▪ Projected margin for 2023: 17%

Note: Results are preliminary and subject to change.

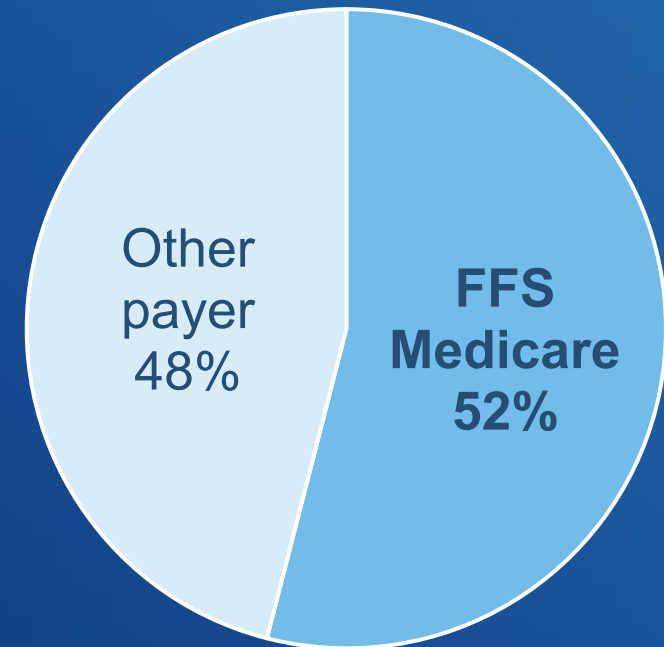
Assessing payment adequacy and updating payments: Inpatient rehabilitation facility services

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January 12, 2023

Overview of IRF sector in 2021

	IRF providers	1,180
	FFS users	335,000
	FFS stays	379,000
	FFS spending	\$8.5 billion

IRF discharges



Summary: IRFs' payment adequacy indicators are generally positive in 2021

Beneficiaries' access to care	Quality of care	Access to capital	Medicare payments and IRFs' costs
<ul style="list-style-type: none">• Capacity appears adequate• Occupancy rate stable at 68%• High marginal profit<ul style="list-style-type: none">• HB: 22%• FS: 41%	<ul style="list-style-type: none">• The pandemic and public health emergency-related policies affect quality measures and interpretation of trends	<ul style="list-style-type: none">• IRFs maintain good access to capital markets• All-payer total margin for freestanding IRFs: 14.0%	<ul style="list-style-type: none">• 2021 aggregate Medicare margin: 17.0%• Relatively efficient provider median margin: 20.4%• 2023 projected Medicare margin: 11.0%

Note: IRFs (inpatient rehabilitation facilities), FS (freestanding), HB (hospital based).