

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

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The Improving Medicare Post-Acute Care Transformation (IMPACT) Act of 2014

- Mandated reports on a PAC PPS design
 - ✓ MedPAC report submitted in June 2016
 - ✓ Secretary of HHS (CMS/ASPE) report submitted in July 2022
 - ❑ **MedPAC report due by June 30, 2023**
- PAC PPS design must span the four PAC settings (HHAs, SNFs, IRFs, and LTCHs) and base payments on patient characteristics, not setting
- Does not require implementation—does not include an implementation date

Note: PAC (post-acute care), PPS (prospective payment system), ASPE (Assistant Secretary for Planning and Evaluation), HHA (home health agencies), SNF (skilled nursing facilities), IRF (inpatient rehabilitation facilities), LTCH (long-term care hospitals)

Why the interest in a unified payment system for post-acute care?

Overlapping patients in different settings

Separate PPSs resulted in different payment rates for similar patients

Unified payment system would base payments on patient and stay characteristics

Shortcomings in HHA, SNF, and LTCH payment systems

SNF and HHA PPSs encouraged unnecessary therapy; LTCHs were allowed to admit low-acuity patients

CMS made substantial changes to these PPSs

Conclusions about a PAC PPS design

Recommended design features

- Stay as unit of service
- Common risk adjustment
- Adjuster for home health care, none for other settings
- No adjusters for rural location or for beneficiaries with low income or who had a prior hospital stay

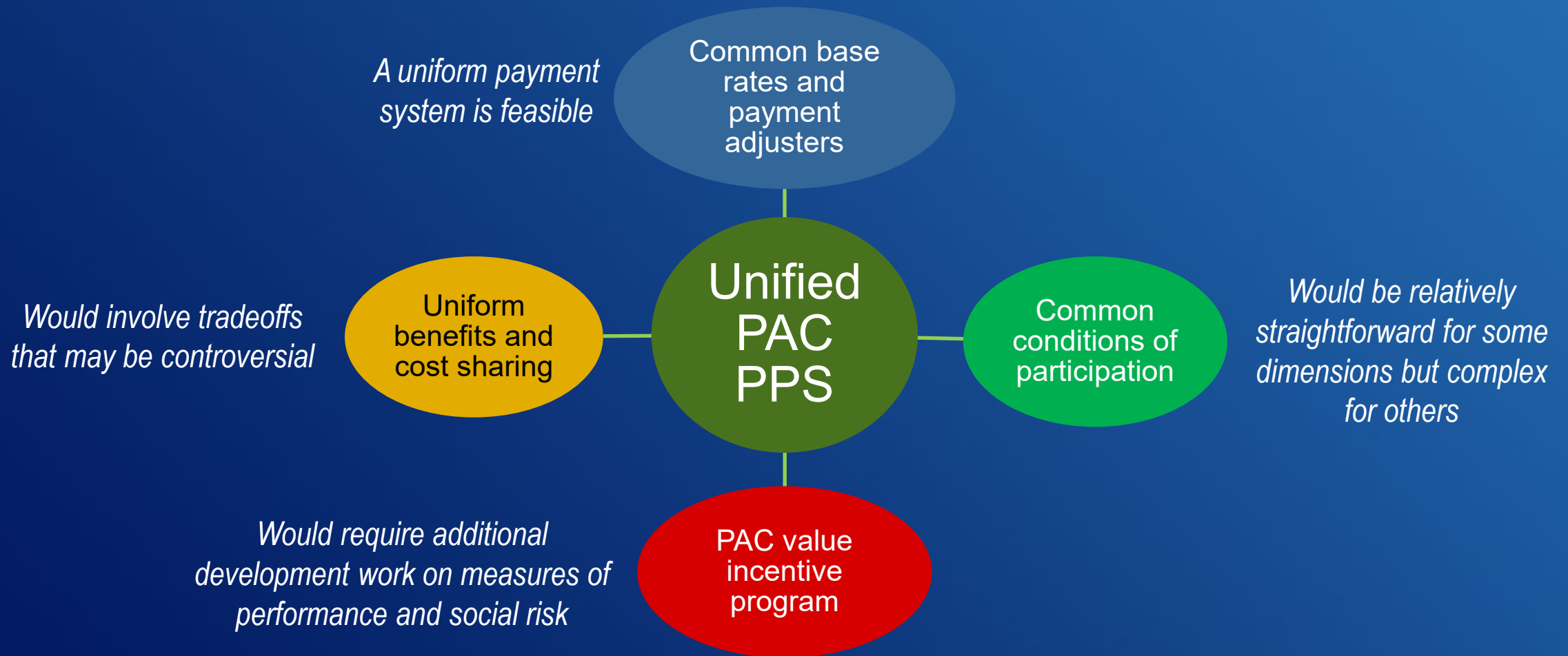
Two studies concluded a PAC PPS was feasible

- Our work and CMS/ASPE report found that a PAC PPS could:
- Establish accurate payments
 - Result in uniform profitability across different types of cases

CMS/ASPE design is consistent with most features with one key exception

- Prototype would be a good starting point for a design
- But adjusters for each setting undermine uniformity and accept all current cost differences
- Setting adjusters would need to be phased out

Companion policies that would accompany a PAC PPS would be challenging to implement



Key takeaways

- Designing a PAC PPS would be relatively straightforward; implementing the accompanying policies would not be
- Recent changes to the SNF, HHA, and LTCH PPSs substantially improved these payment systems
- Given the resources and timeframes required to implement a PAC PPS and the companion policies, policymakers may opt to consider smaller-scale, site-neutral policies that would be simpler to implement
- In the meanwhile, Congress should lower the level of payments to HHAs, SNFs, and IRFs

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