

# Assessing the need for Medicare safety net payments for skilled nursing facilities and home health agencies

Evan Christman and Kathryn Linehan

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# Today's presentation

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- Review of Commission's approach to identify and support safety-net providers that serve low-income Medicare beneficiaries
- Analyses of skilled nursing facilities and home health agencies
- Discussion of next steps and commissioner feedback

# Commission's approach to identifying/supporting Medicare safety-net providers

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- Two-part framework in June 2022 Report to Congress:
  1. Identify Medicare providers that serve high shares of low-income Medicare beneficiaries
  2. Determine if additional funding is necessary to ensure adequate access to care for low-income beneficiaries
- March 2023 Report to Congress applied the framework and included recommendations for IPPS hospitals and clinicians

# Medicare's payment policies for skilled nursing facility and home health agency care

- SNF and HHA care both paid under separate prospective payment systems
- Neither sector has a payment adjuster for patients' low-income status (i.e., DSH)
- SNF care has beneficiary cost-sharing; HHA care does not

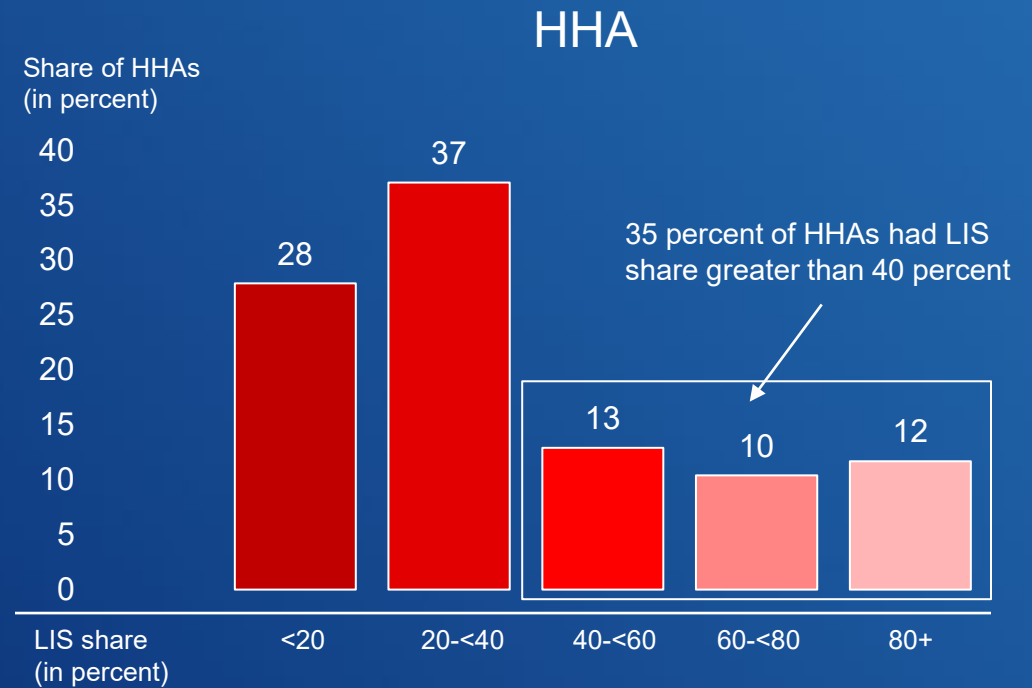
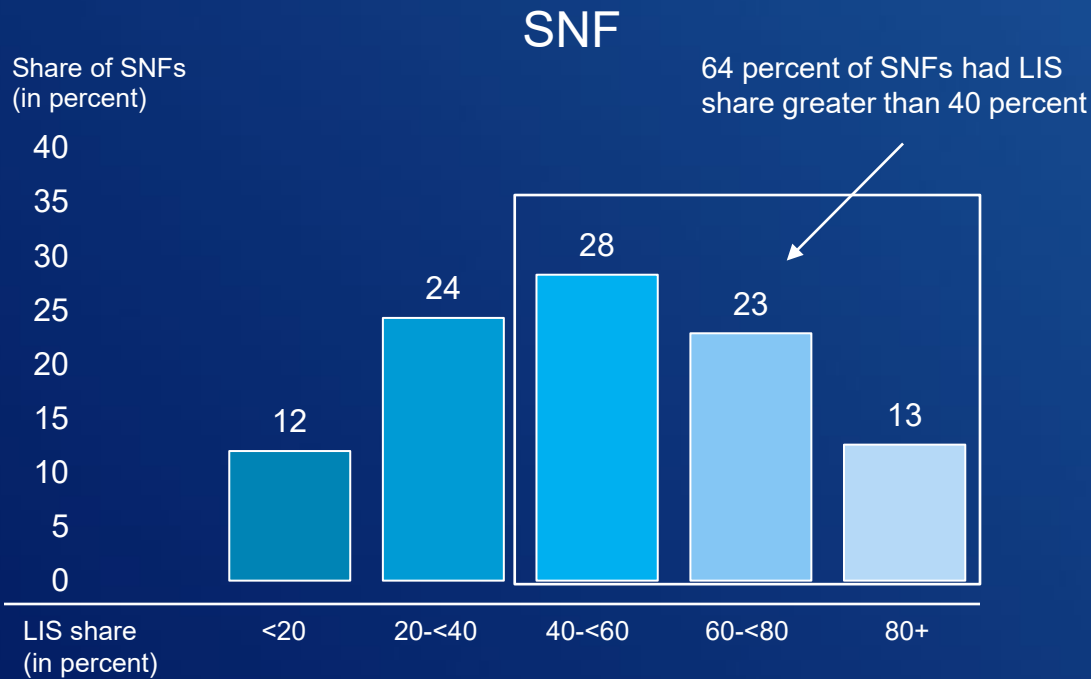
	SNF	HHA
Medicare expenditures 2021	\$28.5 billion	\$16.9 billion
Unit of payment in PPS	Per day	30-day period
Cost sharing	Per day after 20 <sup>th</sup> day of service	None

# Identifying safety-net providers in SNF and home health care

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- Low-income Medicare beneficiaries who received the Part D low-income subsidy (LIS)
  - Includes beneficiaries who received full or partial Medicaid benefits
- Computed LIS-beneficiary share of Medicare fee-for-service volume for each sector:
  - SNFs: Share of a SNF's Medicare stays provided to LIS beneficiaries
  - HHAs: Share of an HHA's 30-day periods provided to LIS beneficiaries

# Both sectors have providers with high shares of LIS-beneficiary volume, but more SNFs are high LIS-share providers, 2021

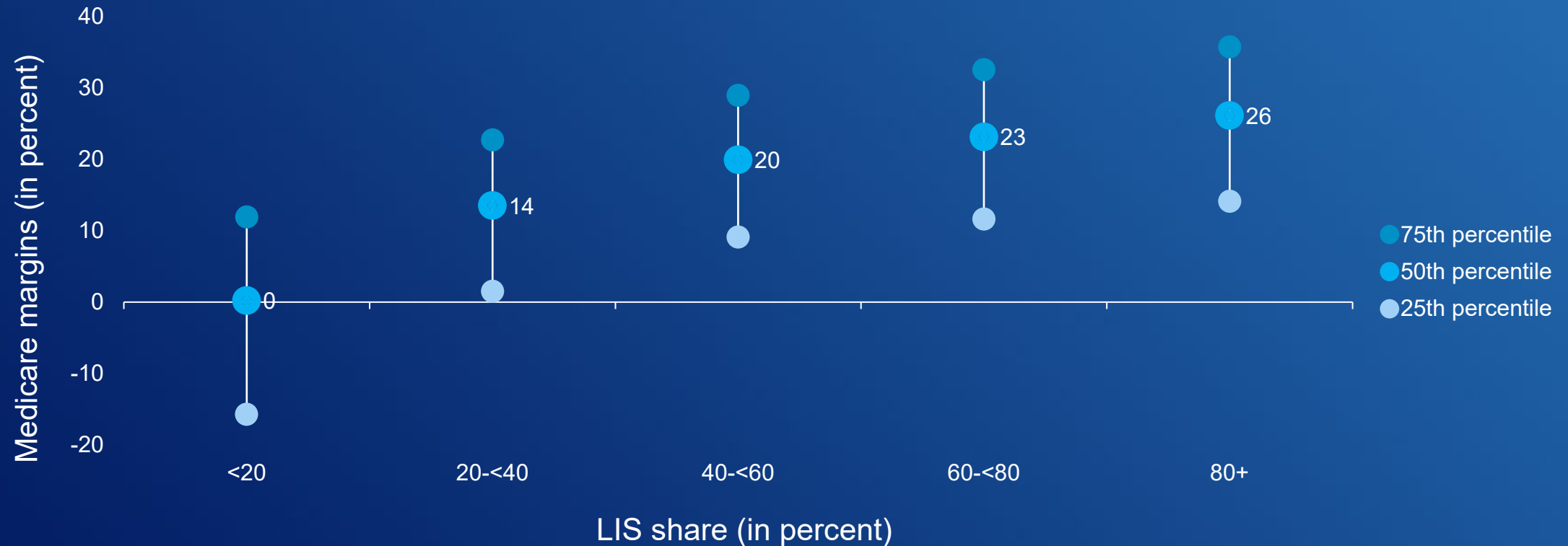


# Medicare is a profitable payer for SNFs and HHAs

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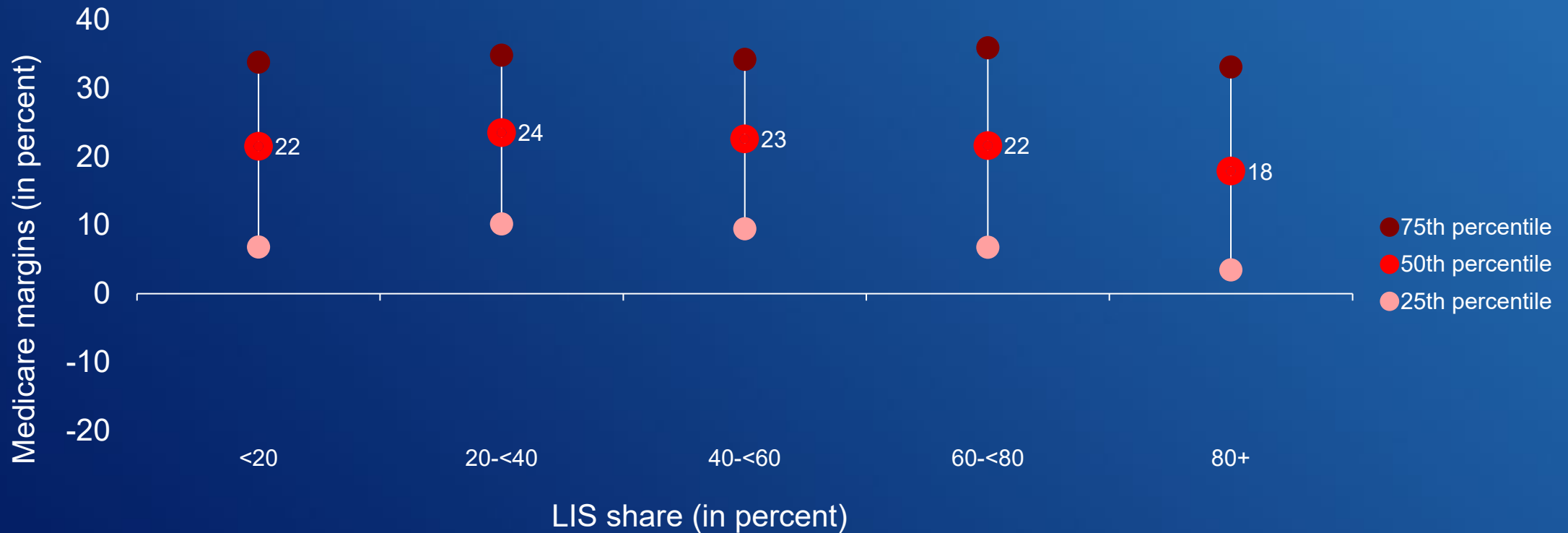
- FFS Medicare margins have exceeded 10 percent for over two decades for freestanding providers in both sectors
  - In 2021, freestanding SNFs and HHAs had margins of 17.2 percent and 24.9 percent (respectively)
  - March 2023 Report to Congress, the Commission recommended reductions to Medicare base payment rates in both sectors
- Total (all-payer) margins are lower than Medicare margins for both sectors, reflecting lower profitability of other payers (e.g., Medicaid and Medicare Advantage)

# Freestanding SNFs with higher shares of LIS stays had higher FFS Medicare margins, 2021





# Freestanding HHAs with higher shares of LIS 30-day periods had high FFS Medicare margins, 2021



# Relationship between SNF and HHA LIS share and Medicare margins

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- High LIS-share SNFs:
  - Higher Medicare margins
  - Lower average standardized costs per day
  - Relatively lower Medicare/higher Medicaid facility volume
  - Higher average facility volume
- High LIS-share HHAs were typically smaller (lower volume) than other providers in their sector

# Safety net payments are not indicated for high LIS-share SNFs and HHAs

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- Providers in both sectors that serve a high share of LIS beneficiaries have median Medicare margins of 18 percent or higher
  - Medicare margins for SNFs increase with facility LIS beneficiary share
- Providers have substantial incentive to serve Medicare beneficiaries because current Medicare fee-for-service payments are well in excess of costs

Note: SNF (skilled nursing facility), HHA (home health agency), LIS (Part D low-income subsidy). Data are preliminary and subject to change.

# Future analysis


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- Examine other factors affecting financial performance of SNFs and HHAs under Medicare FFS
  - Facility and beneficiary characteristics
  - Costs per unit of service
  - Mix and amount of services provide (e.g., days of SNF service or home health visits)

# Quality of care for low-income Medicare beneficiaries in SNFs and HHAs

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- Examine differences in the quality of care furnished by providers who care for large shares of low-income beneficiaries
  - Research has shown economic and racial disparities in access to high quality providers in both sectors
- Examine differences in staffing levels and turnover rates in SNFs that care for large shares of low-income beneficiaries
  - Research has shown that dual-eligibles are more likely to be discharged to SNFs with lower nurse staffing levels that treat patients for a longer time



*Advising the Congress on Medicare issues*

# Feedback and questions