

Assessing payment adequacy and updating payments: Outpatient dialysis services, hospice services, skilled nursing facility services, and home health agency services

January 11, 2024

Assessing payment adequacy and updating payments: Outpatient dialysis services

Nancy Ray

January 11, 2024

Overview of outpatient dialysis services under FFS Medicare, 2022

- Outpatient dialysis services are used to treat individuals with end-stage renal disease
- Dialysis facilities are paid:
 - For each treatment they furnish using a defined “ESRD bundle” that includes equipment, supply, labor, and drugs
 - On a per unit basis for qualifying new equipment, supplies, and drugs
- FFS beneficiaries on dialysis: about 290,000
- Providers: About 7,865 dialysis facilities
- Medicare FFS outpatient dialysis spending: \$8.8 billion

Note: FFS (fee-for-service), ESRD (end-stage renal disease).
Source: MedPAC analysis of 100 percent claims submitted by dialysis facilities to CMS.

Summary: Outpatient dialysis payment adequacy indicators



Beneficiaries' access to care

- Capacity steady in 2022
- Capacity exceeds growth in the number of beneficiaries on dialysis
- FFS treatment decline reflects beneficiaries enrolling in MA plans
- 2022 FFS Medicare marginal profit: 18%



Quality of care

- In 2022, ED visits, hospital admissions and readmissions, and mortality remained steady for FFS beneficiaries on dialysis
- Increased use of home dialysis



Access to capital

- Continued investment in renal-related companies
- The large dialysis organizations have reported positive financial performance for 2023
- 2022 all-payer margin: 14%



FFS Medicare payments and costs

- 2022 FFS Medicare margin: -1.1%
- 2024 projected margin: 0%

Note: FFS (fee-for-service), MA (Medicare Advantage), ED (emergency department).

Assessing payment adequacy and updating payments: Hospice services

Kim Neuman

January 11, 2024

Overview of hospice services, 2022

- Hospice utilization
 - Over 1.7 million Medicare beneficiaries used hospice
 - 49% of Medicare decedents
- Visits: 3.9 visits per week on average
- Length of stay (decedents): Median 18 days, average 95 days
- Providers: 5,900 hospices
- Medicare payments: \$23.7 billion

Note: FFS (fee-for-service).
Source: MedPAC analysis of Medicare hospice claims and Medicare enrollment file from CMS.

Summary: Hospice payment adequacy indicators



Beneficiaries' access to care

- Increase in provider supply
- Increase in share of decedents using hospice, number of hospice users, and total days of care
- Increase in length of stay
- Slight increase in visits per week
- 2021 FFS Medicare marginal profit: 17%



Quality of care

- CAHPS® quality scores are generally stable
- Visits at the end of life were stable in 2022 but below the number in 2019



Access to capital

- Continued entry of for-profit providers
- Sector viewed favorably by investors
- Provider-based hospices have access via parent provider



FFS Medicare payments and costs

- 2021 FFS Medicare margin: 13.3%
- 2024 projected margin: 9%

Note: FFS (fee-for-service), CAHPS® (Consumer Assessment of Healthcare Providers and Systems®).

Assessing payment adequacy and updating payments: Skilled nursing facility services

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January 11, 2024

Overview of SNF use and spending, 2022



SNFs

14,700



Medicare share of facility days

10% (median)



Services

1.8 million stays



Payments for SNF services

\$29 billion (SNF + swing beds)

Note: SNF (skilled nursing facility).
Source: MedPAC analysis of CMS data.

Summary: SNF payment adequacy indicators



Beneficiaries' access to care

- Slight decrease in supply
- Increased volume and occupancy indicate available capacity
- Employment below prepandemic levels
- 2022 FFS Medicare marginal profit: 27%



Quality of care

- Small decline in facility rate of discharge to the community
- Small decline in total nurse and RN staffing



Access to capital

- Continued investor interest in the sector
- Record-high price per bed
- 2022 all-payer margin: -1.4%



Medicare payments and costs

- 2022 FFS Medicare margin: 18.4%
- 2024 projected FFS Medicare margin: 16%

Note: SNF (skilled nursing facility), FFS (fee-for-service), RN (registered nurse).

Assessing payment adequacy and updating payments: Home health care services

Evan Christman

January 11, 2024

Overview of home health care use and spending, 2022



Home health agencies

Over 11,300



Users

2.8 million (8% of FFS Medicare beneficiaries)



Services

8.6 million 30-day periods



Payments for services

\$16.1 billion

Note: FFS (fee-for-service).
Source: MedPAC analysis of home health standard analytic file.

Summary: Home health care payment adequacy indicators



Beneficiaries access to care

- 98% live in a ZIP code with two or more HHAs
- Total volume decreased
- Share of hospital discharges to home health comparable to prior years
- 2022 FFS Medicare marginal profit: 23%



Quality of care

- FFS Medicare beneficiaries' risk-adjusted discharge to community rate declined but remained high
- Patient experience measures remained high and were stable



Access to capital

- 2022 all-payer margin: 7.9%
- HHAs have been focus of acquisition efforts by large insurance companies and private equity in recent years



Medicare payments and costs

- FFS Medicare margin in 2022: 22.2%
- Projected FFS Medicare margin for 2024: 18%

Note: HHA (home health agency), FFS (fee-for-service).

Medicare Payment Advisory Commission

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