

Regulations, star ratings, and FFS Medicare policies aimed at improving nursing home quality

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Commissioners have expressed interest in taking a closer look at beneficiaries who live in nursing homes

- In October, we described the beneficiaries in nursing homes (NHs), the NH industry, and the long-standing challenges to improving their care
- Last month, we examined institutional special-needs plans that could be an effective way to deliver care to NH residents
- Today's presentation focuses on regulations, star ratings, and FFS programs aimed at improving NH quality

Note: FFS (fee-for-service).



Federal regulations aimed at improving nursing home quality

Nursing home regulations

- To participate in Medicare and Medicaid, NHs must meet federal requirements regarding quality of care, quality of life, residents' rights, and safety
- NHs are required to be inspected at least every 15 months to assess compliance; surveys are conducted by state inspectors
- Deficiencies found are rated based on their severity and scope
- NHs must correct deficiencies or face penalties, denial of payments, or removal from Medicaid and Medicare
- Regulations also lay out staffing requirements

Note: NH (nursing home).

Critiques of the survey and certification process

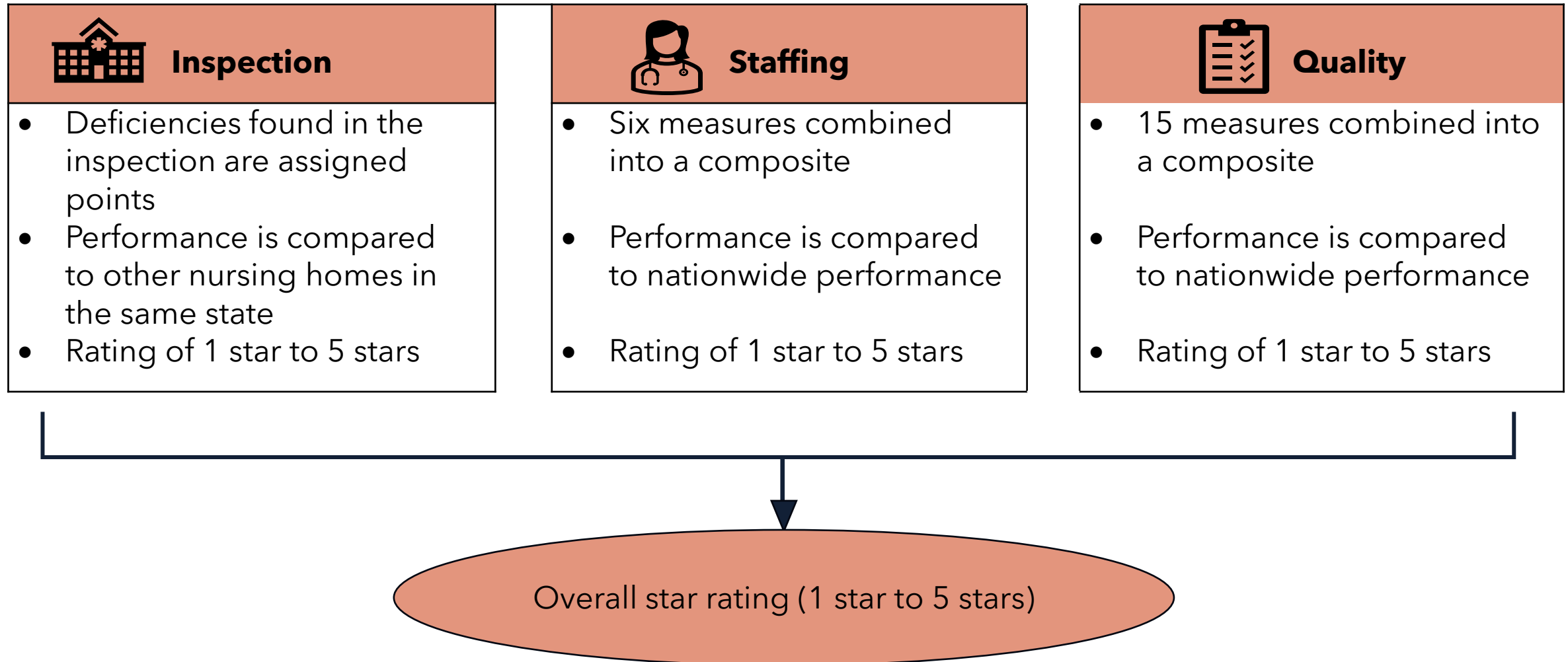
- Reports by GAO and OIG over past 20 years have documented quality problems
- Improvements in select measures, but overall quality remains a persistent problem
- Inspections are chronically underfunded and result in high vacancy rates in surveyor positions and delays in the required inspections
- OIG concluded in 2022 that the survey process missed serious problems or may not lead to effective correction
- The National Academies has questioned whether the lack of effective regulations is due to inadequate implementation and enforcement or to inherent limits on what regulations can achieve

Note: GAO (Government Accountability Office), OIG (Office of Inspector General).
Source: Office of Inspector General, Department of Health and Human Services. 2022. *CMS should take further action to address states with poor performance in conducting nursing home surveys*. OEI-06-19-00460. Washington, DC: OIG; National Academies of Sciences, Engineering, and Medicine. 2022. *The national imperative to improve nursing home quality: Honoring our commitment to residents, families, and staff*. Washington, DC: The National Academies Press.

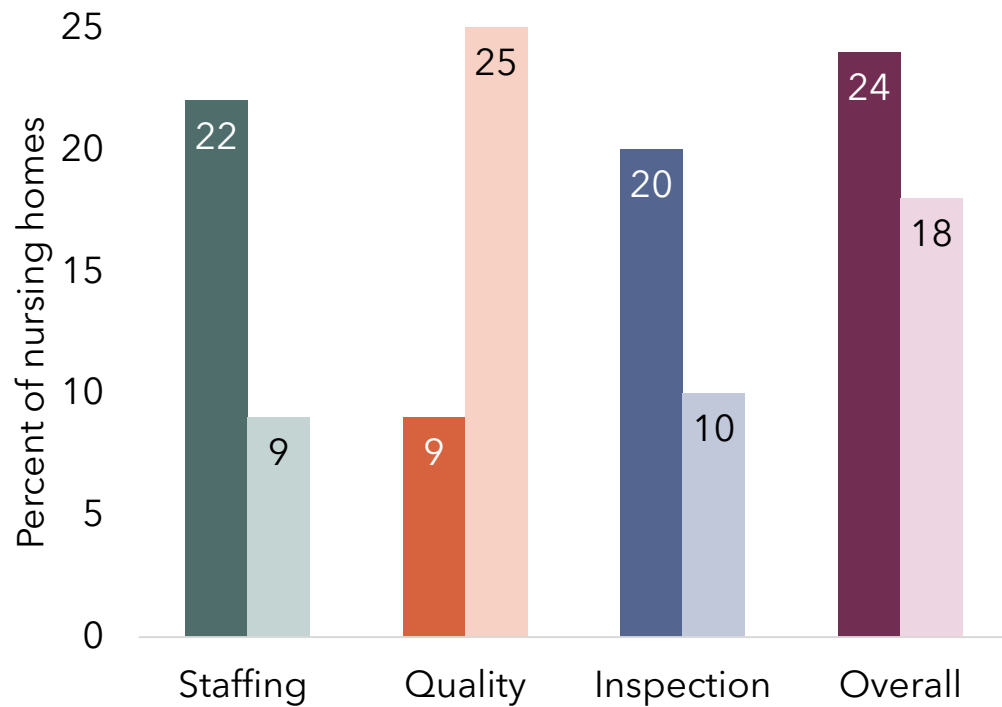


Nursing home quality star ratings

Nursing homes are separately rated on three domains that are combined for an overall rating



Shares of nursing homes with 1-star and 5-star ratings by domain, 2024

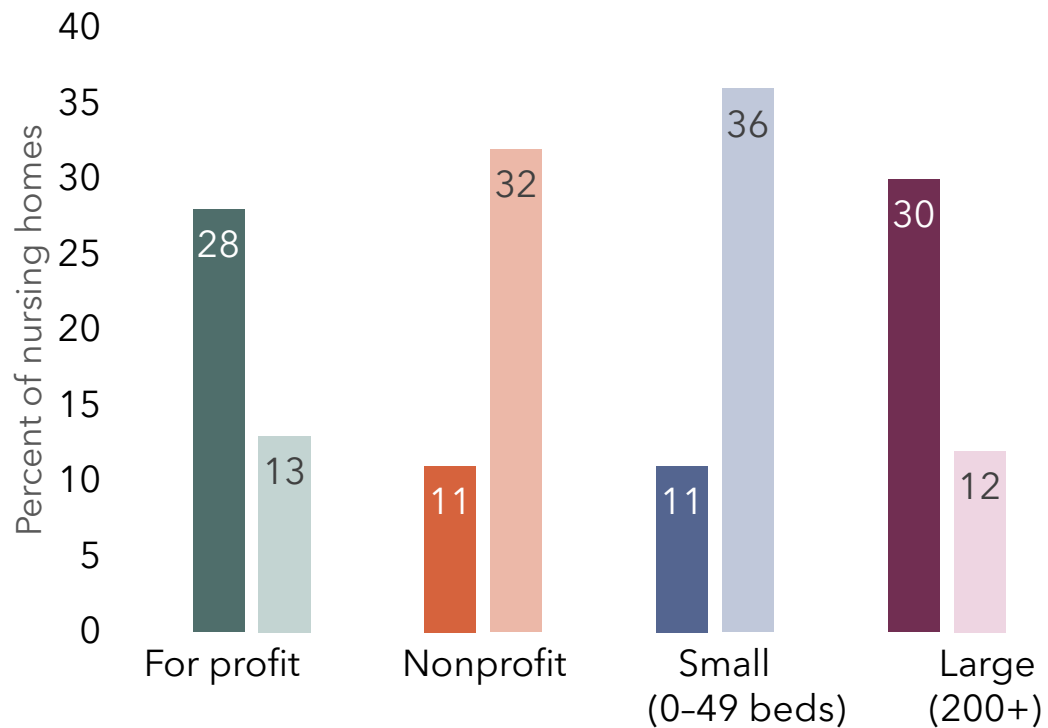


1-star ratings are in dark colors.
5-star ratings are in light colors.

Source: MedPAC analysis of CMS Compare website, data from November 2024.

- Shares of NHs with 1-star ratings or 5-star ratings varied twofold, depending on the domain
- Overall ratings: 24% had 1-star ratings, 18% had 5-star ratings

Shares of nursing homes with 1-star and 5-star overall ratings by ownership and size, 2024



1-star ratings are in dark colors.
5-star ratings are in light colors.

Note: NH (nursing home).
Source: MedPAC analysis of CMS Compare website, data from November 2024.

- A larger share of nonprofit NHs had 5-star ratings compared with for-profit NHs
- A larger share of small NHs had 5-star ratings compared with large NHs

Star ratings: Findings from the literature

- Some evidence that consumers use the ratings to select higher-rated NHs, but use and awareness of the website is low
- Some evidence that providers try to improve their performance
- Unintended consequences:
 - Ratings may exacerbate inequities between high- and low-income beneficiaries
 - Some providers may pay less attention to aspects of quality not captured in the ratings
 - Some providers may use coding and documentation strategies to enhance their rating
- Ratings do not measure patient experience

Note: NH (nursing home).

Sources: Castle, N. G. 2009. The Nursing Home Compare report card: Consumers' use and understanding. *Journal of Aging & Social Policy* 21, no. 2 (April-June): 187-208; Konetzka, R. T., and M. C. Perrailon. 2016. Use of Nursing Home Compare website appears limited by lack of awareness and initial mistrust of the data. *Health Affairs* 35, no. 4 (April): 706-713; Medicare Payment Advisory Commission. 2019. *Report to the Congress: Medicare and the health care delivery system*. Washington, DC: MedPAC; Schapira, M. M., J. A. Shea, K. A. Duey, et al. 2016. The Nursing Home Compare report card: Perceptions of residents and caregivers regarding quality ratings and nursing home choice. *Health Services Research* 51 Suppl 2 (June): 1212-1228.



FFS Medicare payment policies aimed at improving NH quality

Skilled nursing facility value-based purchasing program

Original statutory design (2019)

- One measure (readmissions) gauges performance
- Methodology to ensure reliable measure results must be used
- Scoring must reduce payment rates to SNFs in the lowest 40% of performances
- Payout pool funded by 2% reduction to payment rates
- Program required to pay out 50-70% of withheld payments

Commission concerns (June 2021)

- Performance should be assessed using a small set of measures
- Reliability standard was too low
- Scoring does not encourage every SNF to improve
- Program does not pay out entire withheld amount
- Program does not account for differences in social risk factors of a SNF's patients
- Withholds are small

Note: SNF (skilled nursing facility).

Source: MedPAC. 2021. *Report to the Congress: Medicare and the health care delivery system*. Washington, DC: MedPAC.

CMS has announced key revisions to the design of the SNF VBP program but outstanding issues remain

Changes made since 2019

- Performance measure set was expanded to 8 measures
- CMS improved the approach to ensure reliable measure results
- CMS incorporated social risk factors into scoring SNF performance

Remaining concerns

- Reliability approach could be improved to lower the likelihood of rewarding random variation rather than performance
- Specified scoring does not create incentives for every SNF to improve
- Program is used to achieve Medicare savings
- Withheld amount creates a small incentive to change behavior

Note: SNF (skilled nursing facility), VBP (value-based purchasing).

Skilled nursing facility value-based purchasing program: Experience

- Since the program began in 2019, average risk-standardized readmission rate has increased over time
- Each year, the adjustments to payment rates have ranged from -2% to about +2%
- Payments to the majority of SNFs have been lowered each year
- MedPAC and GAO have concluded that the incentive payments are too small to change behavior

Note: SNF (skilled nursing facility), GAO (Government Accountability Office).

Source: Government Accountability Office. 2021. *Additional reporting on key staffing information and stronger payment incentives needed for skilled nursing facilities*. GAO-21-408. Washington, DC: GAO; Medicare Payment Advisory Commission. 2021. *Report to the Congress: Medicare and the health care delivery system*. Washington, DC: MedPAC.

CMMI demonstration: Initiative to Reduce Avoidable Hospitalizations Among Nursing Home Residents

- Demonstration ran between 2012 and 2020
 - Phase 1 (2012–2016): Funded clinical and educational activities (143 NHs)
 - Phase 2 (2016–2020): Offered financial incentives (263 NHs)
- Results:
 - Phase 1: Raised program spending, lowered the probability of avoidable hospitalizations
 - Phase 2: No clear evidence that the financial incentives accomplished more than Phase 1
- Demonstration was not extended

Note: CMMI (Center for Medicare & Medicaid Innovation), NH (nursing home).

Most ACOs are not designed to focus on beneficiaries in nursing homes

- An ACO is a set of providers that voluntarily enter into an arrangement that holds them accountable for cost and quality for a group of beneficiaries
- NH residents are typically a very small share of an ACO's assigned beneficiaries
- NHs may not see a financial benefit to partnering with ACOs; our interviews indicate that:
 - NHs weigh the lost revenue from fewer high-payment SNF days and ancillary services against the opportunity for referrals and perhaps some portion of earned savings
 - Whether ACOs share earned savings with NHs is a function of their relative negotiating positions
- Hard to draw conclusions about the impact of ACOs on quality of care furnished to long-stay NH residents

Note: ACO (accountable care organization), NH (nursing home), SNF (skilled nursing facility).
Source: Interviews conducted by MedPAC staff between November 2024 and March 2025.

High Needs ACOs

- Compared with other ACOs, High Needs ACOs are smaller and must have experience serving beneficiaries with complex medical conditions
- In 2025, there are 13 High Needs ACOs
- The most recent CMS evaluation results for 2022:
 - Of their assigned beneficiaries, about 2/3 were dual-eligible beneficiaries, and about half had a NH stay of >100 days in the previous year
 - Relative to a comparison group, the High Needs ACOs
 - Lowered hospital, emergency department, SNF, and specialty care (all statistically significant)
 - Decreased hospitalizations and readmissions, though reductions were not uniformly statistically significant

Note: ACO (accountable care organization), SNF (skilled nursing facility).
Source: NORC at the University of Chicago. 2024. Evaluation of the global and professional direct contracting model. Annual report 2.

Summary

- A variety of regulations and programs are aimed at improving quality, but not a lot of evidence they have worked
- Studies by OIG, the National Academies, academics, CMS evaluators, and MedPAC have concluded that:
 - Survey and certification are ineffective
 - Star ratings have had limited success
 - SNF VBP program has not been, and is unlikely to be, successful
 - CMMI's demonstration had mixed results and was not continued
- Most ACOs are not designed to focus on NH population

Note: OIG (Office of Inspector General), SNF (skilled nursing facility), VBP (value-based purchasing), CMMI (Center for Medicare & Medicaid Innovation), ACO (accountable care organization), NH (nursing home).

Discussion and next steps

- Questions about today's presentation?
- This material will be included as an informational chapter in the June 2025 report to the Congress along with:
 - Background material we reviewed in October 2024 and
 - Information on institutional special-needs plans considered in March 2025



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