

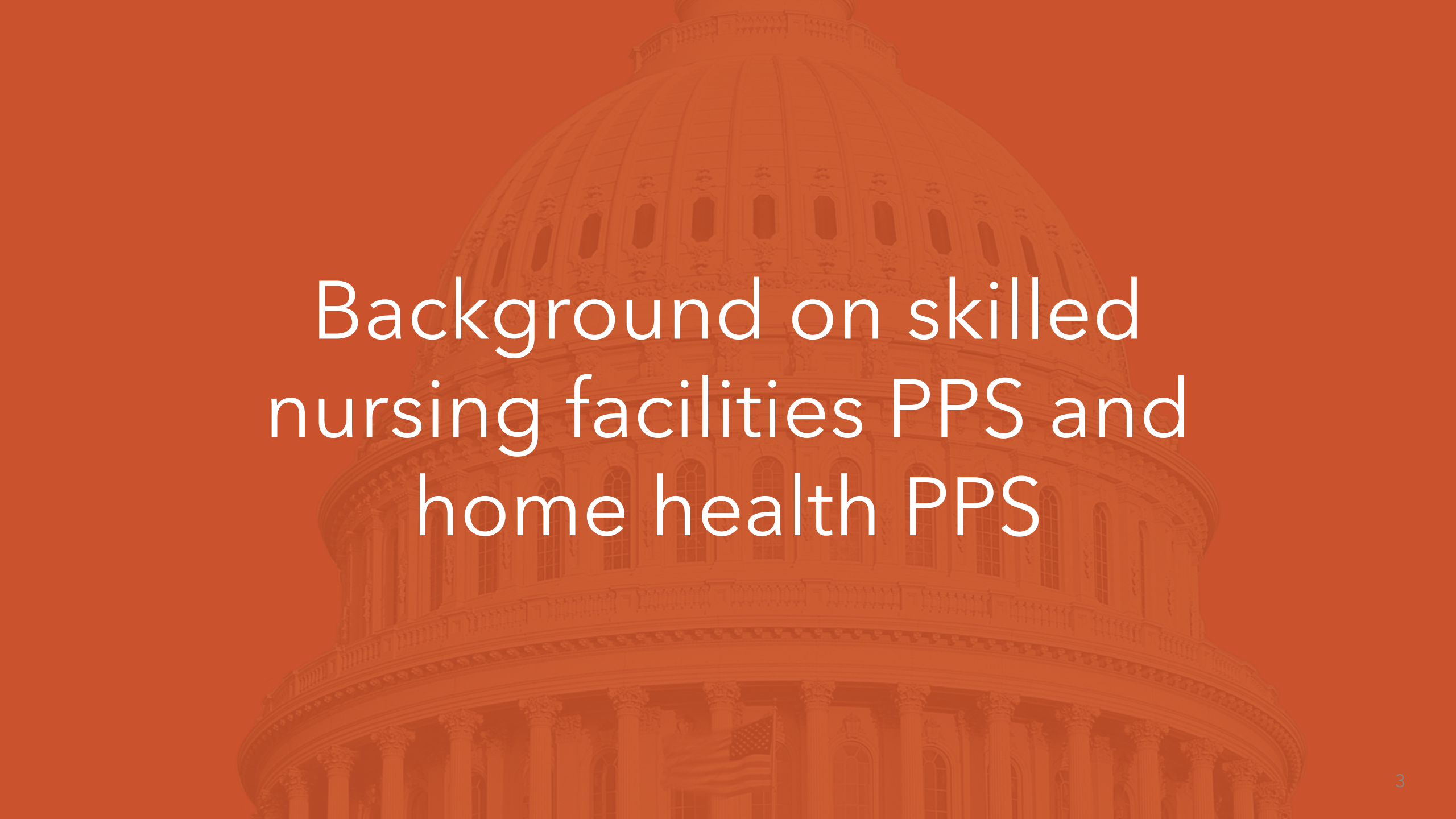
Workplan: Assessing the accuracy of the skilled nursing facility and home health prospective payment systems

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Overview

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Background on skilled nursing facilities PPS and home health PPS

Why were the SNF and home health PPSs revised?

- Old designs:
 - Amount of therapy was used to assign cases to case-mix groups
 - Incentive to furnish unnecessary therapy to boost payments
 - Payments did not reflect the unique characteristics and complexity of patients
- New designs:
 - Removed therapy as a payment factor
 - Rely more on patient characteristics to determine payments
 - Implemented in payment year 2020

Note: SNF (skilled nursing facility), PPS (prospective payment system).

Overview of the skilled nursing facility prospective payment system



Unit of payment

- Per day
- Later days in a stay adjusted (lower) to reflect lower average costs



Case-mix adjustment

- Separate adjuster for components:
 - Nursing
 - Physical therapy
 - Occupational therapy
 - Speech-language pathology
 - Non-therapy ancillary services



Factors for assigning case-mix group

- Patient assessment information reported by SNFs
- Vary by component and include clinical grouping, functional status, cognitive status and comorbid conditions



Role of therapy in PPS payments

- None (as recommended by MedPAC in 2008)

Note: SNF (skilled nursing facility), PPS (prospective payment system).

Overview of the home health prospective payment system



Unit of payment

- 30-day period
- Second 30-day periods in a sequence adjusted (lower) to reflect lower average costs



Case-mix adjustment

- Single case-mix system
- Outlier payments and low-use payments for qualifying 30-day periods



Factors for assigning case-mix group

- Patient assessment information reported by HHAs
- Vary by component and include clinical grouping, functional status, cognitive status and comorbid conditions



Role of therapy in PPS payments

- None (as recommended by MedPAC in 2011)

Note: HHA (home health agency), PPS (prospective payment system).



Context for payment accuracy analysis

Accurate payments reflect the cost of care and promote beneficiary access to care

- Accurate payments align with patient care costs
 - As patient complexity increases, patient care costs increase
 - Payments should increase proportionally
 - Providers would have no incentive to select certain types of patients over others
- Inaccurate payments create financial incentives for providers to:
 - Prefer to admit certain types of patients over others → reduces access for some beneficiaries
 - Code cases in ways that do not reflect patient complexity → raises program payments unnecessarily
- FFS payments are the foundation for alternative payment models and MA payments

Note: FFS (fee for service), MA (Medicare Advantage).

Payment accuracy analyses complement other MedPAC work

- Each year the Commission evaluates the adequacy of Medicare's aggregate FFS payments and makes payment update recommendations
 - Aggregate payments to SNFs and HHAs are high relative to aggregate costs
- Periodically, we examine whether payments are accurate at the *case level*
- Analysis will include examine 5 years of implementation data (2021-2025)
 - Providers have had sufficient time to adjust to the new designs
 - PHE-related disruptions have moderated

Note: FFS (fee for service), SNF (skilled nursing facility), HHA (home health agency), PHE (public health emergency).



Research questions and preliminary approaches

Research questions

- **Accuracy:** Do the SNF and home health PPSs accurately account for differences in patients' costs?
- **Patient selection:** Is there evidence that providers select certain types of cases over others?
- **Coding practices:** Is there evidence that providers' coding practices have raised payments without commensurate changes in patient complexity?

Note: SNF (skilled nursing facility), PPS (prospective payment system).

Analyses will share common approaches

- Examine PPSs separately, but use common analytic approaches when feasible
- Data: Medicare claims, patient assessments, cost reports, and beneficiary enrollment files
- Report results by:
 - Case-mix groups
 - Provider groups
 - Beneficiary characteristics
- Study will examine results for each year between 2021 and 2025

Note: PPS (prospective payment system).

Some aspects will be tailored to the SNF and home health PPS designs

- SNF PPS has 5 components (nursing, PT, OT, SLP and NTA)
 - Assess accuracy of each component
- Home health PPS pays for 30-day periods
 - Assess accuracy of 30-day periods

Note: SNF (skilled nursing facility), PPS (prospective payment system), PT (physical therapy), OT (occupational therapy), SLP (speech language pathology, NTA (nontherapy ancillary).

Payment accuracy: (1) What share of variation in payments is explained by costs?

- Costs should explain a reasonable share of the variation in payments
- Regression analyses (R-squared)
 - Dependent variable: payments
 - Independent variation: costs
- Models with and without provider fixed effects
- Beneficiary-level controls (e.g., age, dual eligibility)

Payment accuracy: (2) Do higher case-mix weights correspond to higher costs?

- Higher-cost cases should have higher case-mix weights so that payments remain proportional to costs
- Regression analyses
 - Dependent variable: costs
 - Independent variable: case-mix weight
- Have the relationships between case-mix weights and costs changed over time?

Payment accuracy: (3) Are case-mix groups similarly profitable?

- Case-mix groups should be similarly profitable to reduce incentives for selection
- Calculate payment-to-cost ratios (PCRs) for each case-mix group
 - Given the high level of payments relative to costs, the average PCR will not be 1.0
- Examine the variation in profitability across case-mix groups
- Regression analysis to assess the relationship between
 - Dependent variable: PCR
 - Independent variables: Beneficiary characteristics

Patient selection: Is there evidence that providers select certain types of cases over others?

- If profitability varies across case-mix groups, can providers identify beneficiaries who are likely to be profitable and unprofitable?
- Are high- and low-profit case-mix groups evenly distributed across providers?
- Within case-types with high PCRs and low PCRs, examine the distributions of providers and beneficiary characteristics
- Have the patterns changed over time?

Note: PCR (payment-to-cost ratio).

Coding practices: Is there evidence that providers' coding practices have raised payments without commensurate changes in patient complexity?

- Provider-recorded patient assessment information is used to assign patients to case-mix groups that establish payments
 - Providers have an incentive to record this information in ways that raise payments without an underlying change in patient complexity
- Compare SNF and HHA coding patterns with:
 - Coding of the same stays during prior hospitalizations
 - Costs per stay
- Compare changes in the coding of patient assessment items that are and are not used as payment adjusters

Note: SNF (skilled nursing facility), HHA (home health agency).

Discussion

- Questions
- Feedback on planned analyses
- Staff will begin to present results in Fall 2027



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