

# Assessing payment adequacy and updating payments: Skilled nursing facility services

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# Skilled nursing facilities: Summary, 2017

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- 15,000 SNFs
- 2.3 million FFS stays
- 1.6 million (about 4%) of FFS beneficiaries used SNF services
- Medicare FFS spending: \$28.4 billion

*Results are preliminary and subject to change.*

# Indicators of SNF payment adequacy are mostly positive

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- Access: Supply is steady, admissions and days declined, marginal profit=19.1%
- Quality of care: Mixed performance
- Access to capital: Adequate
- Payments and costs:
  - Medicare margin in 2017: 11.2%
  - Efficient provider margins: 18%
- Projected Medicare margin 2019: 10%

# CMS plans to revise SNF prospective payment system in FY 2020

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- Payments will be based on patient characteristics
- Revised design is consistent with MedPAC's recommendations for SNF PPS and PAC PPS
- Likely to prompt providers to revise their mix of cases and cost structures
  - Changes in the relative costs of different types of stays would indicate the need for recalibration

# How should Medicare payments to SNFs change in 2020?

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- The PPS should be revised, and the relative weights of the case-mix groups should be updated annually to keep payments aligned with costs
- Level of payment remains too high relative to the costs of treating beneficiaries

# Assessing payment adequacy and updating payments: Home health care services

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# Overview of home health care services, 2017

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- \$17.7 billion total Medicare expenditures (fee-for-service)
- Over 11,800 agencies
- 6.3 million episodes for 3.4 million FFS Medicare beneficiaries
- About 8.8 percent of FFS beneficiaries received home health care

*Results are preliminary and subject to change.*

# Home health indicators are positive, similar to results from prior years

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- Most beneficiaries live in an area served by multiple providers
  - Number of users and volume of episodes decreased slightly
  - Marginal Medicare profit for 2017: 17.5 percent
- Quality trends similar to prior years
  - Adverse event measures did not change significantly
  - Measures of patient functional status show improvement
- Access to capital is adequate
  - All-payer margin is 4.5 percent
- Medicare payments and costs
  - Medicare margin for 2017: 15.2 percent
- Projected margin for 2019: 16.0 percent



# Assessing payment adequacy and updating payments: Inpatient rehabilitation facility services

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January 17, 2019

# Overview of inpatient rehabilitation facilities, 2017

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- Medicare FFS spending: \$7.9 billion
- About 1,180 facilities
  - 76 percent hospital-based
  - 24 percent freestanding
- 380,000 FFS cases
  - 48 percent hospital-based
  - 52 percent freestanding
- Slightly less than 1 percent of FFS beneficiaries used an IRF

# IRF payment adequacy indicators positive

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- Access: Capacity appears adequate to meet demand
  - Strong marginal profits in 2017 (FS 40.9%, HB 19.4%)
- Quality: Risk-adjusted outcome measures improved slightly since 2012
- Access to capital: Appears adequate
  - 2017 freestanding all-payer margin: 10.4 percent
- Payments and costs:
  - 2017 Medicare margin: 13.8 percent
  - 2019 projected margin: 11.6 percent

Note: FS (freestanding), HB (hospital-based)