



*Advising the Congress on Medicare issues*

# Assessing payment adequacy: Skilled nursing facilities

Carol Carter  
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# Skilled nursing facilities: providers, users, and Medicare spending

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- Providers: 15,096
- Beneficiary users: 1.6 million
- Medicare spending: \$26.4 billion

# Payment adequacy framework

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- Access
  - Supply of providers
  - Volume of services
- Quality
- Access to capital
- Payments and costs

# Access appears stable for most beneficiaries

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<b>Indicator</b>	<b>Assessment</b>
Supply of providers	Small increase since 2000
Bed days available	Increased
Occupancy rates	Declined
Volume per FFS beneficiary	Small decline, reflecting lower hospital use

# Comparison of SNFs with highest shares of medically complex patients and other SNFs

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- Highest shares of medically complex: 31 percent (the 99<sup>th</sup> percentile)
- SNFs with highest shares were disproportionately:
  - Rural
  - Nonprofit
  - Hospital-based

## Payment adequacy indicators are generally positive (continued)

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Indicator	Assessment
Quality	Unchanged from 2007 to 2008
Access to capital	Improved from last year. Medicare is a preferred payer.

# 2009 freestanding aggregate SNF Medicare margins

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<u>SNF type</u>	<u>Margin</u>
All	18.1%
Urban	18.0
Rural	18.7
For profit	20.3
Nonprofit	9.5

*Source: MedPAC analysis of freestanding SNF Medicare cost report data.  
Data are preliminary and subject to change.*

# SNFs with high Medicare margins also have high total margins

	<u>Medicare margin quartile</u>			
	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
Medicare margin	-0.7%	14.5%	22.6%	32.6%
Total margin	0.1%	2.7%	4.5%	6.9%
Medicare share of revenues	16%	23%	25%	26%
Share of intensive therapy days	54%	63%	67%	69%
Medicaid share of days	61%	61%	61%	63%
Medicare payments per day	\$395	\$412	\$420	\$427
Medicare costs per day	\$406	\$355	\$325	\$284

*Source: MedPAC analysis of freestanding SNF Medicare cost report data.  
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# Comparison of efficient SNFs to the average SNF

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## Efficient SNFs

Cost per day in 2008	10% lower
Community discharge in 2008	29% higher
Rehospitalization in 2008	16% lower
Medicare margin	16% higher

## Historical trends 2001-09

More likely to have low cost growth

More likely to have high revenue growth

*Source: MedPAC analysis of quality measures from the University of Colorado Health Sciences Center and freestanding SNF Medicare cost report data. Data are preliminary and subject to change.*

# Rebasing SNF payments

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- When MedPAC considered rebasing home health payments, it reviewed changes in costs and visits.
- Before considering rebasing for SNF payments, MedPAC will examine changes in costs and practice patterns in SNF care.

# Re-print recommendations that would affect the distribution of Medicare payments

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- Revise the SNF PPS
  - Add a separate NTA component
  - Base therapy component payments on predicted patient care needs
  - Add an outlier policy
- Establish a quality incentive payment policy