



Advising the Congress on Medicare issues

The coronavirus pandemic and Medicare

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Motivations and roadmap

- The coronavirus pandemic has affected beneficiaries and their access to health care and service use, as well as providers' revenues, costs, and financial performance
- Today we will discuss the effects of the pandemic on:
 - Beneficiaries
 - The finances of hospitals, post-acute care providers, and clinicians
- We report on aggregate effects on providers' finances, individual providers' experiences will vary
- Comprehensiveness and detail of data varies by sector

Effects on beneficiaries

- Mortality
 - 80 percent of COVID-19 deaths are in the 65 and older population
 - Over 40 percent of deaths are among residents of nursing homes and assisted living facilities
- Access
 - Many beneficiaries delaying or foregoing care
 - Some providers were closed temporarily
 - Some beneficiaries are reluctant to risk infection by seeking care
 - Ultimate effect on patient outcomes unknown

Large hospital volume decline in April, followed by strong rebound in May and June

	Approximate decline in volume relative to 2019		
	April 2020	May 2020	June 2020
All-payer	-40% (more for elective, less for admissions)	-10% to -20%	Close to fully recovered
Medicare hip replacements	-75%	-50%	Close to fully recovered

CARES Act grants to hospitals

- CARES Act grants are designed to partially replace lost revenue and help cover costs unique to the coronavirus pandemic
- Grants are NOT limited to helping hospitals in financial distress
- Because revenue declines can be offset by both cost reductions and grants, hospital profits could increase in 2020 relative to 2019 for some hospitals

CARES Act grants will cover short-term losses for many (but not all) hospitals

	AHA estimate	MedPAC estimate
Reduced operating profit change in April (prior to grants)	-\$50.7 B	-\$20B to -\$30B
Enacted grants and payment changes	N/A	\$91.8 B
Months of April-level losses supported by grants (ON AVERAGE)	N/A	~ 3 to 5 months (higher for rural, CAH)

Note: AHA (American Hospital Association), CAH (Critical Access Hospital).
Data are preliminary and subject to change.

A sample of large hospital systems suggests for-profit hospitals have reduced costs more than non-profit hospitals (Q2 2020)

Type of systems	Aggregate patient revenue change, in millions (percent reduction)	Aggregate operating expense change (as a % of revenue decline)	Aggregate COVID-19 grants booked (as a % of revenue decline)	Change in operating income from 2019 (millions)*	Range of operating profit margins in Q2 2020
Three large non-profit systems	-\$1,565 (-17%)	-\$13 (1%)	\$782 (50%)	-\$621*	-13% to +5%
Four large for-profit systems	-3,573 (-15%)	-2,307 (65%)	1,999 (56%)	+634*	+1% to +14%

Note: All changes compare 2019 to 2020 second quarter results. The data for the sample of for-profit and non-profit systems were aggregated into one weighted average. *Changes in operating income also reflect some sources of revenue other than patient revenue and operating expenses, causing the columns to not exactly sum. Data are preliminary and subject to change.

Post-acute care (PAC) volume effects

HHAs and IRFs

- Large reductions (20 to 30%) January through March 2020 due to cancellation of elective surgery, fewer referrals
- Volume rebounded by late June to at least 95% of pre-pandemic levels

SNFs

- Facility volume declined about 10% from January through May 2020 in aggregate
- Continued volume decline through June
- Some volume may not return

LTCHs

- Through June 2020 compared to same period in 2019, largest publicly traded company reported
 - Admissions flat
 - 5% increase in patient days
 - Increased occupancy

Noteworthy Medicare PAC payment policy changes during the Public Health Emergency

- LTCHs
 - All cases paid the higher LTCH rates (no site-neutral payments)
- SNFs
 - Requirement for a 3-day prior hospitalization for coverage of a SNF stay temporarily waived for some cases
 - Coverage may be renewed without ending the current benefit period for some cases

Post-acute care cost and revenue effects

Costs

- Staffing: higher for SNFs and LTCHs, lower for HHAs
- Supplies: Higher PPE, testing, and cleaning costs
- Other: Costs to establish isolation units in SNFs and LTCHs

Revenues

- CARES disbursements
- Temporary elimination of the sequester
- Pre-payment loans
- Paycheck protection and payroll tax deferral
- Targeted nursing home funds

In aggregate, enacted federal support offset nursing home losses in the short term

	MedPAC estimates
Reduced monthly operating profit change (prior to grants)	-\$2.0 B
Enacted grants and payment changes	\$16.5 B
Months of losses supported by grants (ON AVERAGE)	8.4 months

- Estimates are industry aggregate; impacts at facility level will vary
- Estimates are based on preliminary and incomplete data

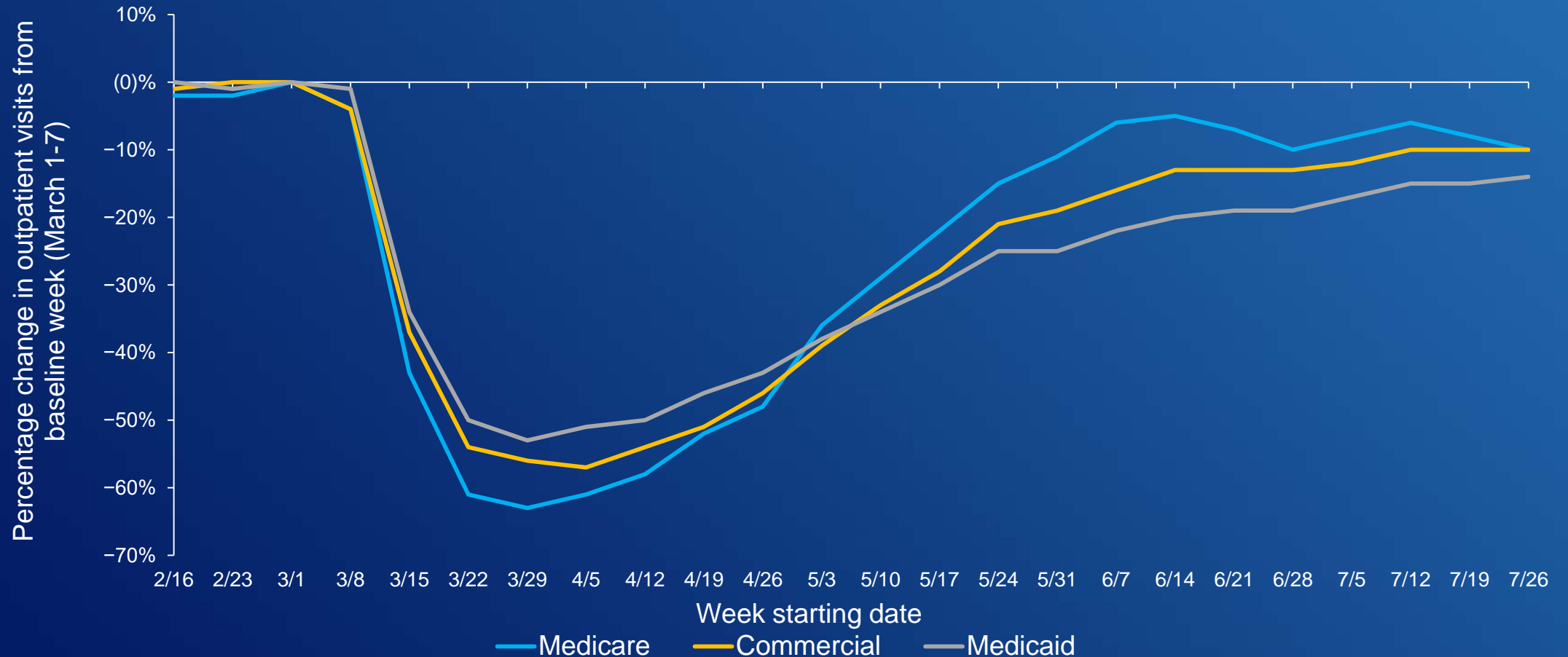
Coronavirus pandemic's financial impact on physicians and other health professionals

- Volume of fee-for-service office visits paid by Original Medicare declined sharply starting in March, then steadily recovered
- The same phenomenon occurred among other types of payers
- Clinician revenue also declined, but not as much as volume
- Federal grants, loans, and payment increases offset a majority of lost revenue from March to May

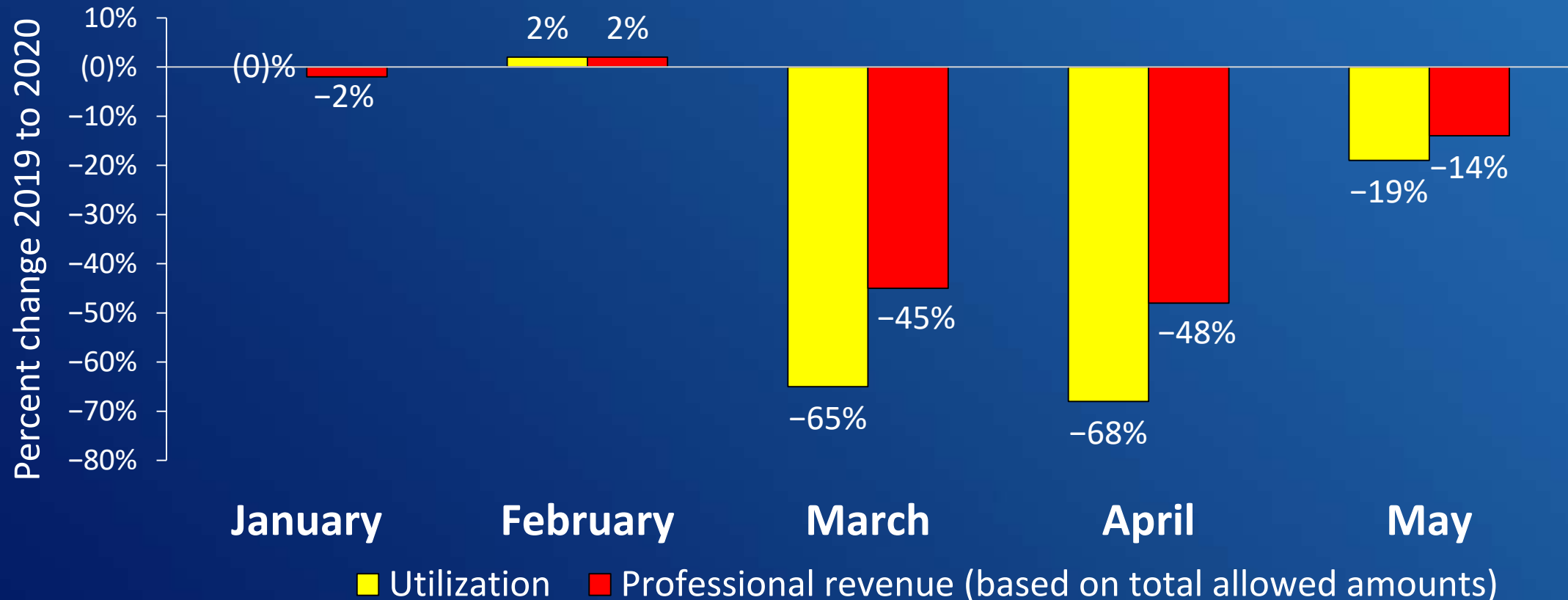
Number of weekly office visits for Original Medicare beneficiaries declined sharply in March, then rebounded



The pandemic's impact on outpatient visit utilization was similar across payers



Clinicians' revenues did not decline as much as utilization



Note: Revenue values are estimated by FAIR Health based on claims. Shows utilization and revenue as percentage of the same month in 2019. Data are preliminary and subject to change.

Source: FAIR Health analysis of its National Private Insurance Claims database.

Federal grants, loans, and payment increases have likely offset a majority of clinicians' losses

	MedPAC estimates
Decrease in revenue (March through May 2020)	-\$45 to -\$55 billion
Provider Relief Fund (CARES Act grants)	\$5 billion
Paycheck Protection Program (forgivable loans)	\$26 billion
Suspension of sequestration (payment increase)	\$1 billion

- Temporary expansion of coverage of, and increased payment for, telehealth services (including video visits and audio-only visits)

Review

- The coronavirus pandemic has had a significant impact on beneficiaries and providers
- Overall federal subsidies have offset the worst financial impacts on providers
- Individual provider experience may vary from averages
- Quality of data varies by sector
- We will continue to monitor the data to inform payment update recommendations