



Advising the Congress on Medicare issues

Skilled nursing facilities: Assessment of payment adequacy

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Payment adequacy framework

- Supply
- Access
- Volume
- Quality of care
- Access to capital
- Payments and costs

Payment adequacy indicators are generally positive

- Supply of providers is stable
- Slight increase in volume per fee-for-service enrollee
- Beneficiary access remains good for most beneficiaries
- Mixed quality results for SNFs
- Access to capital reflects financial markets, not adequacy of Medicare payments

Trends in service use that require revisions to PPS

Trend	Prior recommendation
Concentration of medically complex cases in fewer SNFs	Add separate NTA payment to PPS
More and higher intensity rehabilitation days	Revise therapy component of PPS
More days qualify for rehabilitation plus extensive services case mix group	Separately identify services furnished by SNF

Freestanding SNF Medicare margins

SNF group	Share of SNFs	2007 margin
All	100%	14.5%
Top margin quartile	25	24.8
Bottom margin quartile	25	5.2
For profit	73	17.5
Nonprofit	23	4.5
Urban	68	14.2
Rural	32	16.0

Projected 2009 aggregate Medicare margin = 12.6 %

Update recommendation goes hand-in-hand with prior recommendations

- Update recommendation considers the *level* of payments
- Previous recommendations considers the *distribution* of payments
 - Revise the PPS
 - Adopt a pay-for-performance program