Increasing the equity of payments within each post-acute care setting

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Road map

- Goals of payment recommendations
- Concerns about current payment systems
- Results of our work on a unified PAC PPS
- Approach to increase equity in payments in each PAC setting

Why pursue this now?

- Begin to:
  - Correct biases of current PPSs
  - Redistribute and increase the equity of payments
- Encourage providers to make the changes needed to be successful under a unified PAC PPS
- Support recommendations that would better align payments to costs without undesirable impacts

Goals in making payment recommendations

- Level of payments
  - Payments should be adequate to ensure beneficiary access while protecting taxpayers and long-run sustainability of the program
- Changes to the payment system
  - To improve payment accuracy and equity, payments should be aligned with the cost of treating patients with different care needs

Concerns about Medicare's current post-acute care payment systems

- Level of payments is high
- Current PPSs encourage providers to:
  - Furnish therapy services unrelated to care needs;
  - Prefer to treat some types of patients and avoid medically complex patients;
  - Extend lengths of stay to avoid short-stay payments or, in the case of SNFs, to increase payments; and/or
  - Code clinical conditions and frailty to raise payments
- Provider financial performance varies widely

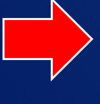
General concerns about post-acute care

- Similar patients are treated in HHAs, SNFs, IRFs, and LTCHs
- Separate payment systems establish different payments for similar patients
- Lack of evidence-based guidelines to base decisions about the need for PAC
- Medicare per capita spending varies more for PAC than for any other covered services
- Led Congress to mandate studies of a unified PAC PPS (IMPACT Act of 2014)

MEDPAC

Impact of a unified PAC PPS

- Estimated impacts using 8.9 million PAC stays in 2013 and readily available data
- Redistributes payments across conditions
  - Increases payments: medically complex care
  - Decreases payments: rehabilitation care unrelated to a patient's condition
- Narrows the relative profitability across conditions



Conclusion: A unified PAC PPS is feasible, could be implemented sooner than contemplated, and would result in more equitable payments

Basic elements of a prospective payment system

Base rate per unit of service

Case-mix adjuster

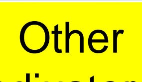
Other adjusters

Payment

Base rate reflects the average cost of PAC stays

Relative weight adjusts rate for patient characteristics

e.g. primary reason to treat, age, comorbidities, severity



Other adjusters

e.g., area wage level

An approach to increase the equity of payments within each setting

- Within each setting, calculate payments using a blend of the setting-specific and the unified PAC PPS relative weights
- Total payments to each setting remain at Commission's recommended level
- Within each setting, would begin to redistribute payments across conditions

Redistribute payments within each setting by blending current and PAC PPS relative weights

<table>
<tr><th>Implementation period</th><th>HHA</th><th>SNF</th><th>IRF</th><th>LTCH</th></tr>
<tr><td>Blend setting-specific and unified PAC PPS relative weights (2019 and 2020)</td><td>Redistribute payments within setting</td><td>Redistribute payments within setting</td><td>Redistribute payments within setting</td><td>Redistribute payments within setting</td></tr>
<tr><td>Transition to a unified PAC PPS (begins 2021)</td><td colspan="4">Redistribute payments across settings</td></tr>
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Blending PAC PPS and setting-specific relative weights would change the case-mix adjuster

Base rate per unit of service

Case-mix adjuster

Other adjusters

Payment

Base rate reflects the average cost of all PAC stays

Relative weight adjusts rate for patient characteristics

e.g., primary reason to treat, age, comorbidities, severity

Other adjusters

e.g., area wage level

Illustration of how blending relative weights affects payments across conditions

	Current PPS	Unified PAC PPS	50:50 blend
Relative weights			
Orthopedic	1.2	0.9	1.05
Medically complex	0.8	1.1	0.95
Payments (base rate= $6,000)			
Orthopedic	$7,200 *(6,000 x 1.2)*	$5,400 *(6,000 x 0.9)*	$6,300 *(6,000 x 1.05)*
Medically complex	$4,800 *(6,000 x 0.8)*	$6,600 *(6,000 x 1.1)*	$5,700 *(6,000 x 0.95)*
Total payments	$12,000	$12,000	$12,000

Within each setting, blended relative weights would shift payments across providers

- Payments would increase for
  - Nonprofit providers
  - Hospital-based providers
- Payments would decrease for
  - For-profit providers
  - Freestanding providers
- At current levels, aggregate payments to a setting remain well above the cost of care

Conclusions

- Possible to increase the equity of payments within each setting before implementing a unified PAC PPS
- Redistribution would begin to:
  - Correct the biases of current PPSs
  - Increase the equity of payments across conditions
  - Give providers more time to adjust to changes needed to be successful under PAC PPS
  - Support recommendations that better align payments to the cost of care

Next month's update discussions

- Evaluate the level of payments in each setting
  - Make a judgment about what, if any, payment update is warranted
- Consider an approach to increase the equity of payments within each setting
  - Policy option: payments could be calculated using a blend of the current setting-specific and unified PAC PPS relative weights

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