

Assessing payment adequacy and updating payments: Long-term care hospital services

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Long-term care hospitals

- Meet Medicare's conditions of participation for acute care hospitals (ACH) and have an average length of stay (ALOS) for certain Medicare cases greater than 25 days
- Medicare spending: \$5.3 billion in 2015
 - Cases: ~131,000
 - Mean payment per case: ~\$41,000
- Per case payments based on:
 - MS-LTC-DRGs, adjusted for:
 - High cost outliers
 - Short-stay outliers (SSO)

The Pathway for SGR Reform Act of 2013 establishes “site-neutral” payments for LTCHs

- Beginning FY 2016, higher LTCH payments allowed for qualifying cases with an immediately preceding ACH discharge and either:
 - 3+ ICU days in referring ACH; or
 - principal LTCH diagnosis that includes prolonged mechanical ventilation
- All other LTCH cases paid lower of IPPS-based rate or costs
- LTCH required ALOS of 25+ days excludes:
 - Medicare fee-for-service cases paid based on the site-neutral rate
 - Medicare Advantage cases
- Moratorium on new LTCHs from April 2014 through September 2017

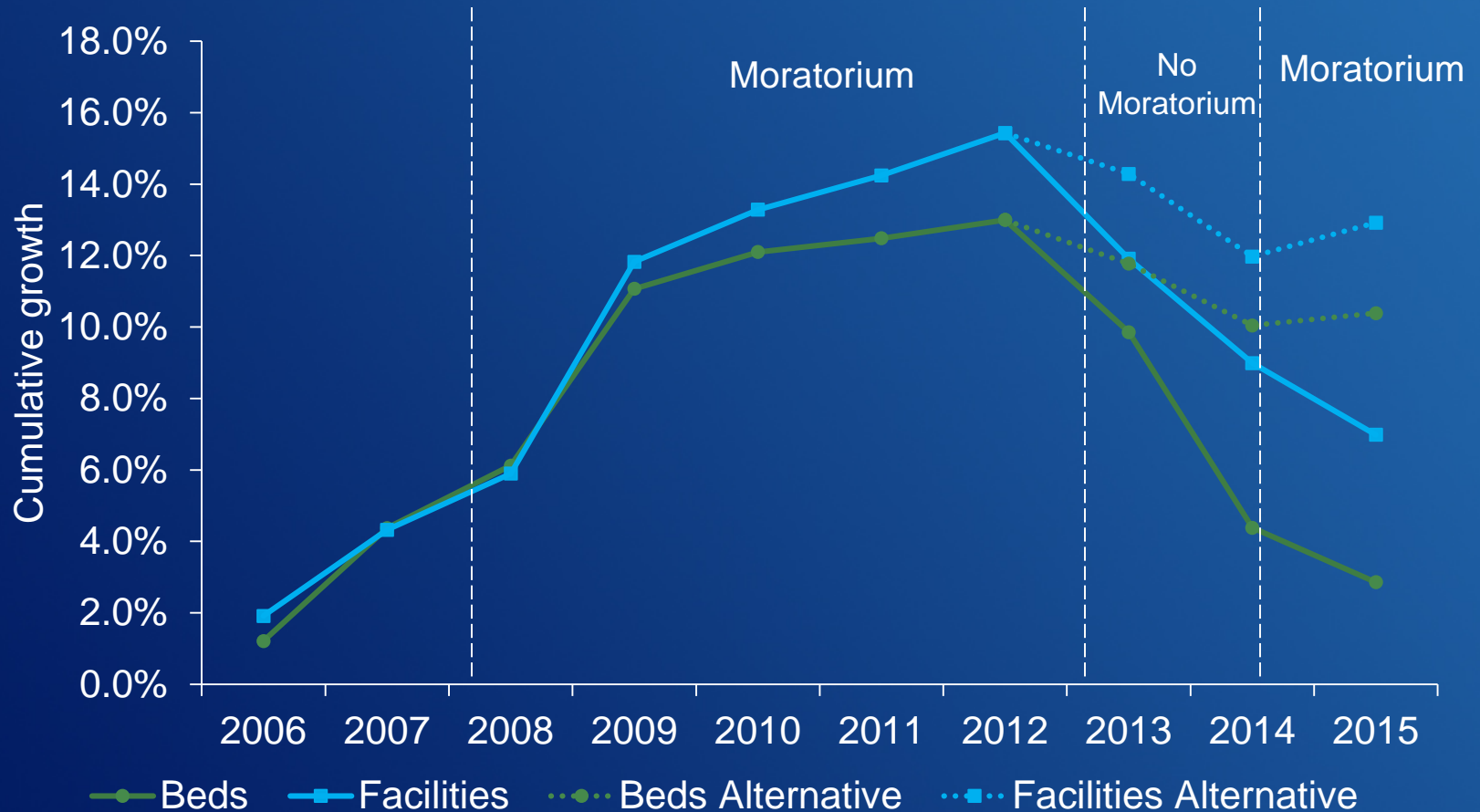
Payment adequacy framework

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

There is wide geographic variation in LTCH use

- LTCHs are located in 43 states and in about 265 counties nationwide
- Beneficiary use of LTCHs varies dramatically by county
 - Median: 6 days per 100 FFS beneficiaries
 - Top 10 percent of counties: 21 days per 100 FFS beneficiaries
 - Bottom 10 percent of counties: less than 2 days per 100 FFS beneficiaries
- Research has shown that outcomes for the most medically complex beneficiaries who receive care in LTCHs are no better than those for similar patients treated in other settings

LTCH growth declined beginning in 2009



Results are preliminary and subject to change.

Source: MedPAC analysis of cost report data and the Provider of Services file from CMS.

Volume of LTCH services has declined since peaking in 2011



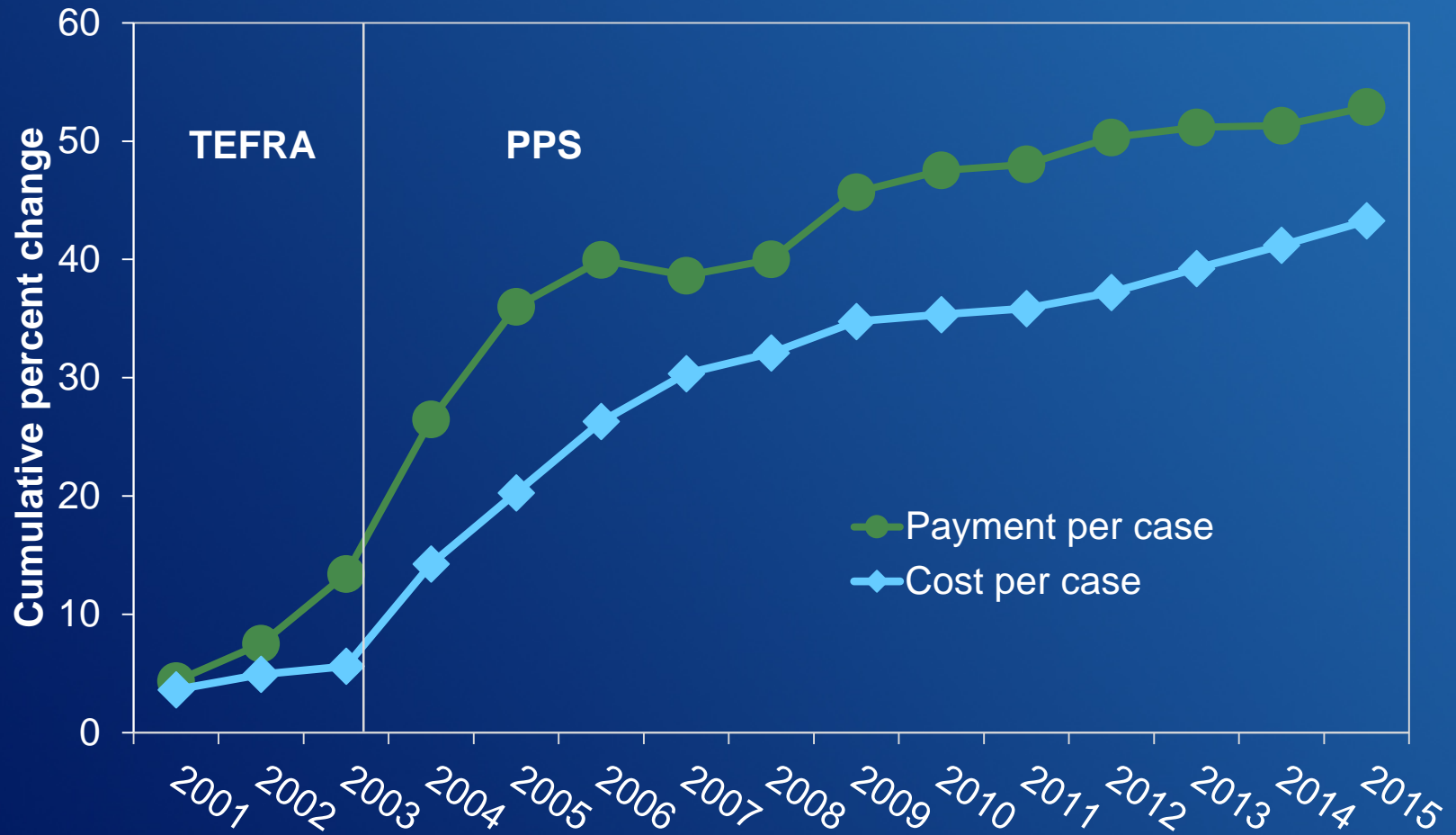
Quality: Limited available measures

- Readmission rates and mortality rates stable or declining for most of the top diagnoses between 2010 and 2015
- LTCH mortality
 - 24% die in LTCH or within 30 days of discharge and varies by case type
- LTCH readmissions
 - 9% of discharges are readmitted within 30-days of discharge

Access to capital: Continued limits on near-term expansion

- Recent legislation provides near-term regulatory certainty
- Moratorium on new facilities and bed expansion beginning on April 1, 2014 through September 30, 2017
- Moratorium reduces opportunities for expansion and the need for capital

LTCHs' per case cost growth outpaces payment growth



Results are preliminary and subject to change.

Source: MedPAC analysis of Medicare cost report data from CMS.

LTCH Medicare margins, 2015

- 2015 Medicare margin: 4.6 percent; 6.8 percent for qualifying cases
- 2015 marginal profit: 19.6 percent

	% of LTCHs	% of cases	Margin
All LTCHs	100%	100%	4.6%
Bottom 25 th	25	17	-14.6
Top 25 th	25	23	17.8
Urban	95	96	4.6
Rural	5	4	2.8
For-profit	79	84	6.4
Nonprofit	17	13	-6.0

Government-owned LTCHs are not shown. Percentages may not sum to 100% due to rounding. Results are preliminary and subject to change. The margins reflect current law policies.

Source: MedPAC analysis of Medicare cost report data from CMS.

High- and low-margin LTCHs, 2015

	High-margin LTCHs	Low-margin LTCHs
Mean total discharges (all payer)	503	426
Occupancy rate	75%	57%
Standardized cost per discharge	\$28,088	\$37,789
Medicare payment per discharge	\$38,254	\$35,896
High-cost outlier payment per discharge	\$2,060	\$6,700
Short-stay cases	25%	29%
Mean case mix index (non-SSOs)	1.17	1.13
For-profit	83%	59%

Includes LTCHs that filed valid cost reports in both 2014 and 2015. Government-owned facilities are excluded from this analysis. Results are preliminary and subject to change.

Source: MedPAC analysis of Medicare cost report and MedPAR data from CMS.

Summary

- Access: Supply likely decreased slightly, volume declines continue, occupancy stable
- Quality: Stable or improving for limited available measures
- Access to capital: Limited activity

- 2015 Medicare margin: 4.6%
- 2015 Marginal profit: 19.6%
- 2015 Medicare margin for qualifying cases: 6.8%

The margins reflect current law policies. Results are preliminary and subject to change.
Source: MedPAC analysis of Medicare cost report and MedPAR data from CMS.

