

Advising the Congress on Medicare issues

Assessing payment adequacy and updating payments: physicians and other health professional services

Kate Bloniarz and Ariel Winter

January 14, 2016

Background: Physician and other health professional services in Medicare

- \$69.2 billion in 2014, 16 percent of FFS spending
- 892,000 practitioners billed Medicare: 576,000 physicians, 165,000 advance-practice nurses and physician assistants and 150,000 therapists and other providers

Summary of physician and other health professional services payment adequacy

- Beneficiaries' ability to access to care is largely unchanged from prior years and comparable to privately-insured
- Supply of providers per beneficiary remains steady
- Total volume growth for all services was 0.4%, modest declines in volume growth for imaging and tests
- Differences in compensation by specialty continue to implicate fee schedule mispricing



Advising the Congress on Medicare issues

Assessing payment adequacy and updating payments: Ambulatory surgical center services

Zach Gaumer and Daniel Zabinski

January 14, 2016

Summary of key facts about ASCs

- Medicare payments to ASCs: Over \$3.8 billion
- Number of ASCs: 5,446
- Beneficiaries served: 3.4 million

Numbers are preliminary and subject to change

Summary of payment adequacy measures

- Access to ASC services has been stable, in 2014
 - Volume per beneficiary decreased by 0.8%
 - Complexity of services provided increased
 - Number of ASCs increased by 1.9%
- Medicare payments per beneficiary in 2014 increased by 3.1%
- Access to capital has been adequate
- Limitations of analysis
 - Insufficient data to assess quality
 - Lack cost data: Commission has recommended that ASCs be required to submit cost data



Advising the Congress on Medicare issues

Assessing payment adequacy and updating payments: outpatient dialysis services

Nancy Ray and Andrew Johnson


January 14, 2016

Overview of outpatient dialysis services, 2014

- Outpatient dialysis services used to treat individuals with end-stage renal disease
- Beneficiaries: about 383,000
- Providers: about 6,300
- Medicare spending: \$11.2 billion

Summary of outpatient dialysis payment adequacy

- Access to care indicators are favorable
- Dialysis quality improving for some measures
- Access to capital indicators are favorable
- 2015 Medicare margin: 2.1%
- 2015 Medicare marginal profit: 17.9%
- 2016 projected Medicare margin: 0.8%



Advising the Congress on Medicare issues

Assessing payment adequacy and updating payments: Skilled nursing facility services

Carol Carter
January 14, 2016

Skilled nursing facilities: providers, users, and Medicare spending in 2014

- Providers: 15,000
- Beneficiary users: 1.7 million
- Medicare spending: \$28.6 billion
- Medicare share: 12% of days
21% of revenues

Data are preliminary and subject to change.

Summary of indicators

- Access: supply is adequate; declines in service use reflect hospital trends
- Quality performance was mixed
- Capital: access is good
- Medicare margin in 2014 was 12.5%
- Marginal profit in 2014 was 20.4%
- Projected 2016 margin: 10.7%


Data are preliminary and subject to change.

Rationale for revising the SNF PPS

- Shortcomings of PPS need correction
 - Systematic bias to favor rehabilitation therapy
 - Payments for NTAs (e.g., drugs) are poorly targeted
- A revised PPS based on patient characteristics would:
 - Decrease payments to SNFs that furnish a lot of intensive therapy unrelated to patient care needs
 - Increase payments to SNFs that treat a lot of medically complex patients
- A revised PPS would shift payments between providers

Rationale for rebasing the SNF PPS

- Medicare margins are high but vary widely
 - Medicare margins have been >10% for 15 years, and are estimated to remain so in 2016
 - 25th to 75th percentiles margin: 2.4% vs 21.2%
- Cost growth indicates a lack of fiscal pressure
- Taking small steps to rebase payments while PPS is revised would protect low-margin SNFs



Advising the Congress on Medicare issues

Assessing payment adequacy and updating payments: home health care services

Evan Christman
January 14, 2016

Home health care summary 2014

- \$17.7 billion total expenditures
- Over 12,400 agencies
- 6.6 million episodes for 3.4 million beneficiaries

Home health indicators are positive, similar to results from prior years

- Access generally adequate
 - No significant change in number of providers
 - Share of users and volume of episodes decline after several years of rapid increases; declines concentrated in a few areas
- Most quality measurements steady or small improvement
- Access to capital is adequate
- Margin for 2014: 10.8 percent
- Marginal profit for 2014: 13.3 percent
- Projected margin for 2016: 8.8 percent



Advising the Congress on Medicare issues

Assessing payment adequacy and updating payments: hospice services

Kim Neuman
January 14, 2016

Overview of Medicare hospice, 2014

- Hospice use:
 - 1.324 million beneficiaries
 - 47.8% of decedents
- Providers: >4,000
- Medicare payments:
 - \$15.1 billion to hospice providers

Hospice payment adequacy indicators

- Indicators of access to care are favorable
 - Supply of providers continues to grow
 - Hospice use increased; ALOS held steady
- Quality data are unavailable
- Access to capital appears adequate
- 2013 margin: 8.6%
- 2013 marginal profit: 12%
- 2016 projected margin: 7.7%



Advising the Congress on Medicare issues

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

Stephanie Cameron

January 14, 2016

Long-term care hospitals

- Meet Medicare's conditions of participation for acute care hospitals (ACH) and have Medicare average length of stay (ALOS) greater than 25 days
- Medicare spending: \$5.4 billion in 2014
 - Cases: ~134,000
 - Mean payment per case: ~\$40,000
- 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 of prolonged mechanical ventilation
- All other LTCH cases paid lower of IPPS-based rate or costs
- LTCH required ALOS of 25+ days excludes:
 - Cases paid based on the site-neutral rate
 - Medicare Advantage cases
- Moratorium on new LTCHs from April 2014 through September 2017

Summary of long-term care hospital payment adequacy indicators

- Access:
 - Stable payment per case between 2013 and 2014
 - Volume decreases similar to other inpatient settings
 - Many beneficiaries receive similar services in other settings
- Quality: Stable or improving for limited available measures
- Access to capital: Limited activity

Medicare margins

- 2014 Medicare margin: 4.9%
 - 2014 Marginal profit: 20.0%
 - 2014 Medicare margin for qualifying cases: 7.4%
 - 2016 Medicare margin for qualifying cases: 3.3% to 5.9%*
-

*These margin ranges represent a high degree of uncertainty in providers' response to the implementation of the new patient-specific criteria to qualify to receive the full LTCH standard payment amount.