



Advising the Congress on Medicare issues

Adequacy of payments for long-term care hospital services

Dana Kelley and Craig Lisk
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Overview

- New information
- Relevant policy changes in the Medicare, Medicaid, and SCHIP Extension Act of 2007
- Indicators of payment adequacy
- Draft recommendation

Facility and patient criteria for LTCHs: CMS's TEP

- Facilities:
 - need critical mass of patients
- Patients:
 - need intensive nursing care
 - can be appropriately cared for in other settings

Plans' use of LTCH services

- Often use SNFs instead
- LTCHs used primarily for ventilator-dependent and medically complex patients in certain markets
- Generally do not approve direct admissions to LTCHs

How states make CON determinations for LTCHs

Florida considers:

- evidence that high acuity patients
 - Burden area acute care hospitals through extended stays
 - Receive inappropriate care leading to poorer health care outcomes, acute hospital readmissions, or higher mortality rates
- whether there is sufficient patient volume to support a new LTCH

Medicare, Medicaid, and SCHIP Extension Act of 2007

Changes definition of LTCHs to require:

- A patient screening process
- On-site physician availability and consulting physicians on call
- Interdisciplinary treatment teams

Medicare, Medicaid, and SCHIP Extension Act of 2007, continued

- Rolls back the 25-percent rule
 - For HWHs and satellites, rolls back to 50 percent for 3 years. (75% for rural HWHs and those in urban areas with a dominant acute care hospital.)
 - Prevents application of 25-percent rule to freestanding LTCHs for 3 years
- Prohibits CMS for 3 years from applying more stringent payment rules for very short-stay outliers

Medicare, Medicaid, and SCHIP Extension Act of 2007, continued

- Reduces payment update for discharges during the last quarter of FY 2008—from 0.71% to 0%
- Expands review of medical necessity
- Imposes a 3-year moratorium on new facilities
- Requires the Secretary to study and report on patient and facility criteria

Payment adequacy in LTCHs: Summary

- Supply stabilizing after rapid growth
- Beneficiary use fairly steady
- Evidence of quality mixed
- Future access to capital difficult to determine, but new law brightens financial prospects
- Payment policies implemented in 2007 and 2008 projected to reduce payments
- Historically, cost growth has tracked growth in payments

LTCHs' financial performance in 2006

	% of LTCHs	Margin
All LTCHs	100	9.4%
25 th	25	3.5
75 th	25	19.0
HWHs	59	10.5
Freestanding	41	8.3
For profit	72	10.8
Nonprofit	22	5.7

Policy changes for modeling 2008 margins

- Increases in payment
 - Update in 2008 (for first 3 quarters)
 - MS-LTC-DRG case-mix coding improvements
- Decreases in payment
 - DRG weight changes 2007
 - Change in short-stay outlier policy in 2007
 - Change to high-cost outlier payments in 2008
 - Implementation of 25% rule (to 50% for HWHs for 2007-2009)
- Estimated margin for 2008: -1.4 to -0.4 percent