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Effects of the Prospective Payment System on Access to Skilled Nursing Facilities for Patients with End-Stage Renal Disease (OEI-02-99-00402)

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In response to requests from your staff, the Office of Inspector General (OIG) has conducted an analysis of the potential effects of the prospective payment system on access to skilled nursing facilities for patients with end-stage renal disease (ESRD). This analysis supplements an earlier report entitled, *Early Effects of the Prospective Payment System on Access to Skilled Nursing Facilities*, OEI-02-99-00400, where one of the findings included dialysis patients as among those more difficult to place.

Background

The Health Care Financing Administration asked OIG to assess whether the new prospective payment system for skilled nursing facilities (SNFs) is causing access problems for Medicare beneficiaries. To answer this question, we contacted a random sample of hospital discharge planners who are responsible for coordinating nursing home care for patients being discharged from hospitals. We asked them about their ability to place Medicare patients in nursing homes and about changes in nursing home admissions practices. We also examined Medicare data related to SNF discharges and hospital length of stay.

Our analysis showed that so far, there are no serious problems in placing Medicare patients in nursing homes. Generally, discharge planners report that they can place Medicare patients in nursing homes. Medicare data also confirm that there are no changes in nursing home placements for Medicare patients. However, discharge planners also report that nursing homes are changing their admissions practices in response to the prospective payment system. Specifically, they note that patients who need extensive services have become more difficult to place, including ESRD patients who have high transportation costs because of their need for dialysis. We also found that patients who need rehabilitation services have become easier to place.

After reviewing these findings, your staff asked us to look at any early effects of the prospective payment system on access to SNFs for ESRD patients. In response, we selected a 20 percent sample of all Medicare beneficiaries from the Medicare National Claims History File and reviewed data for patients who had a discharge diagnosis for renal failure (DRG 316) or

for renal dialysis (DRG 317), or who had been in the hospital for other reasons and had end-stage renal disease. These patients are referred to as ESRD patients for the purposes of this analysis. We analyzed discharge patterns and hospital length of stay data for ESRD patients for the first 5 months in 1998 and the same 5 months in 1999. Our sample included 3,384 ESRD patients who were discharged to SNFs during this time period in 1998 and 3,981 ESRD patients who were discharged to SNFs in 1999.

FINDINGS

Changes in discharge patterns to SNFs and length of hospital stays for end-stage renal disease patients are small.

Medicare data show small changes in the overall proportion of discharges to SNFs for ESRD patients. This proportion increased slightly from 11.2 percent in the first 5 months in 1998, which is prior to the implementation of the prospective payment system, to 11.9 percent in the same 5 months in 1999, which is after the implementation of the new system. (See Table 1.)

Table 1
Distribution of Medicare End-Stage Renal Disease (ESRD) Patient Discharges to Post Hospital Services, First 5 Months of 1998 and 1999

Post Hospital Service	January to May 1998 Percent of ESRD Discharges	January to May 1999 Percent of ESRD Discharges	Difference 1998-1999
Home	63.8	60.6	-3.2 **
SNF	11.2	11.9	0.7 **
Home Health	8.6	9.1	0.5 *
Intermediate Care	1.7	2.1	0.3 **
Other	14.8	16.4	1.7 **

Source: Medicare National Claims History File
Note: Includes End-Stage Renal Disease patients and patients with DRGs 316 or 317. Differences may be due to rounding.
* Statistically significant at the .05 level.
** Statistically significant at the .01 level.

The data also show no significant changes in the types of ESRD patients discharged to SNFs.

The largest difference is among patients with renal failure (DRG 316) and that difference reflects an increase in placements to SNFs. As shown in Table 2, a greater proportion of ESRD patients with renal failure went to SNFs in the first 5 months of 1999 compared to the same time period in 1998. Medicare data show small changes in discharges to SNFs for ESRD patients with other diagnoses. None of the estimates are statistically significant, however.

Table 2
Distribution of Medicare ESRD Discharges to Nursing Homes by Diagnosis Related Groups, First 5 Months of 1998 and 1999

DRG	Description	January to May 1998	January to May 1999	Difference 1998-1999
		Percent of ESRD Discharges	Percent of ESRD Discharges	
316	Renal failure	38.7	40.9	2.2
113	Amputation for circulatory system disorders	4.1	3.6	-0.5
478	Other vascular procedures with complication or comorbid condition	3.8	4.1	0.2
127	Heart failure and shock	3.1	2.9	-0.2
416	Septicemia	2.9	2.4	-0.5
144	Other circulatory system diagnoses with complication or comorbid condition	2.8	3.4	0.6
120	Other circulatory system operating room procedures	2.4	2.9	0.5
089	Simple pneumonia and pleurisy	2.1	2.5	0.5
014	Specific cerebrovascular disorders	1.8	1.5	-0.3
415	Operating room procedure for infectious and parasitic diseases	1.7	1.2	-0.5
468	Extensive operating room procedure unrelated to principal diagnosis	1.3	1.6	0.3

Note: Differences may be due to rounding. Source: Medicare National Claims History File
Differences were not statistically significant at the .05 level.

Overall, the average hospital length of stay for ESRD patients discharged to SNFs was 10.2 days in the first 5 months of 1998 compared to 10.4 days in the same period in 1999. This difference is not statistically significant. Average length of stay did change for a few DRGs. As shown in Table 3, the average length of stay increased in two of the most common DRGs and decreased in one of the most common DRGs for the ESRD population.

Table 3
Average Length of Stay of ESRD Patients Discharged to SNFs by Diagnosis Related Groups, First 5 Months of 1998 and 1999

DRG	Description	January to May 1998 Average Length of Stay in Days	January to May 1999 Average Length of Stay in Days	Difference 1998-1999
316	Renal failure	8.9	9.1	0.2
113	Amputation for circulatory system disorders	14.0	13.4	-0.6
478	Other vascular procedures with complication or comorbid condition	8.9	11.4	2.5 *
127	Heart failure and shock	7.6	6.1	-1.5
416	Septicemia	10.2	12.5	2.3
144	Other circulatory system diagnoses with complication or comorbid condition	7.0	8.3	1.3
120	Other circulatory system operating room procedures	8.1	11.3	3.2 *
089	Simple pneumonia and pleurisy	8.7	7.7	-1.0
014	Specific cerebrovascular disorders	11.3	9.4	-1.9
415	Operating room procedure for infectious and parasitic diseases	21.3	16.4	-4.9 *
468	Extensive operating room procedure unrelated to principal diagnosis	15.1	20.5	5.4

*Statistically significant at the .05 level. Source: Medicare National Claims History File

We hope this information will be helpful to HCFA staff as they continue to monitor the effects of the prospective payment system. If you have any questions or comments about this memorandum, please call me or have your staff call Stuart Wright at (410) 786-3144.