

Assessing payment adequacy and updating payments:

Outpatient dialysis services

Hospice services

Skilled nursing facility services

Home health agency services

Inpatient rehabilitation services

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# Assessing payment adequacy and updating payments: Outpatient dialysis services

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January 12, 2023

# Overview of outpatient dialysis services, 2021

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- Outpatient dialysis services used to treat individuals with end-stage renal disease (ESRD)
- FFS beneficiaries: About 332,000
- Providers: About 7,880 dialysis facilities
- Medicare FFS dialysis spending: \$10.0 billion

FFS (fee-for-service). Source: MedPAC analysis of 100 percent claims submitted to dialysis facilities to CMS and CMS's Dialysis Compare files.  
Data are preliminary and subject to change.

# Summary: Outpatient dialysis payment adequacy indicators generally positive

Beneficiaries' access to care	Quality of care	Access to capital	Medicare payments and providers' costs
<ul style="list-style-type: none"><li>• Growth in provider supply and capacity</li><li>• Decline in dialysis beneficiaries and treatments related to increasing MA enrollment</li><li>• Medicare marginal profit: 20%</li></ul>	<ul style="list-style-type: none"><li>• Increase in home dialysis use</li><li>• Decline in readmission rate and ED use</li><li>• Increase in all-cause admissions and mortality</li></ul>	<ul style="list-style-type: none"><li>• Continued entry of for-profit facilities</li><li>• Sector viewed favorably by investors</li><li>• All-payer total margin: 17%</li></ul>	<ul style="list-style-type: none"><li>• 2021 aggregate Medicare margin: 2.3%</li><li>• 2023 projected aggregate Medicare margin: -0.4%</li></ul>

MA (Medicare Advantage). ED (emergency department). 2021 all payer margin and aggregate Medicare margin do not reflect PHE funds. Data are preliminary and subject to change.

# Assessing payment adequacy and updating payments: Hospice services

Kim Neuman  
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# Overview of Medicare hospice, 2021

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- Hospice use:
  - Over 1.7 million beneficiaries
  - Nearly half of decedents
- Providers: Over 5,300
- Medicare payments: \$23.1 billion

# Summary: Hospice payment adequacy indicators generally positive

Beneficiaries' access to care	Quality of care	Hospices' access to capital	Medicare payments and hospices' costs
<ul style="list-style-type: none"><li>• Increase in provider supply</li><li>• Stable total users, total days; rise in in-person visits</li><li>• Decline in decedent use rate and LOS</li><li>• Medicare marginal profit: 18%</li></ul>	<ul style="list-style-type: none"><li>• Difficult to assess in 2021</li><li>• Most recent CAHPS stable</li><li>• Visits at end-of-life stable in 2021, after 2020 decline</li></ul>	<ul style="list-style-type: none"><li>• Continued entry of for-profit providers</li><li>• Sector viewed favorably by investors</li><li>• Provider-based have access via parent provider</li></ul>	<ul style="list-style-type: none"><li>• 2020 Medicare margin: 14.2%</li><li>• 2023 projected margin: 8%</li></ul>

Note: LOS (average length of stay). CAHPS (Consumer Assessment of Healthcare Providers and Systems).  
Data are preliminary and subject to change.



# Hospice aggregate cap

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- Cap limits aggregate payments a hospice provider can receive annually (\$32,486.92 in FY 2023 irrespective of geography)
- Hospices that exceed the cap have long lengths of stay and high margins. In 2020:
  - Share of hospices exceeding cap: 18.6%
  - Medicare margin: 23% before and 8% after return of cap overage
- MedPAC has recommended each year since 2020 that the cap be wage adjusted and reduced 20%
  - Would make cap more equitable across providers and focus payment reductions on providers with longest stays and high margins



# Assessing payment adequacy and updating payments: Skilled nursing facility services

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January 12, 2023

# Overview of the skilled nursing facility sector in 2021

## Medicare spending

\$28.5 billion

## Providers

About 15,000  
(most also provide long-term care)

## Medicare share of:

Facility days: 10%  
Facility revenue: 16%

## Medicare users

1.2 million fee-for-service beneficiaries  
(3.4% of fee-for-service beneficiaries)

# SNF adequacy indicators are generally positive

Beneficiaries' access to care	Quality of care	Access to capital	Medicare payments and SNFs' costs
<ul style="list-style-type: none"><li>• Slight decline but stable supply</li><li>• Volume declines do not reflect adequacy of payments</li><li>• Medicare marginal profit: 26%</li></ul>	<ul style="list-style-type: none"><li>• The pandemic and public health emergency-related policies affect quality measures and interpretation of trends</li></ul>	<ul style="list-style-type: none"><li>• Adequate access to capital</li><li>• All-payer total margin: 3.4%</li></ul>	<ul style="list-style-type: none"><li>• Margins are high: 17.2%</li><li>• Relatively efficient provider median margin: 22%</li><li>• Projected 2023 margin: 10%</li></ul>

# Assessing payment adequacy and updating payments: Home health care services

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January 12, 2023

# Overview of the home health care industry in 2021

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- \$16.9 billion total FFS Medicare expenditures
- Over 11,400 agencies
- 3.0 million FFS Medicare beneficiaries received care
- Second year of changes to the home health payment system implemented in 2020:
  - 30-day unit of payment
  - Elimination of therapy as a payment factor in the case-mix system

# Summary: Home health payment adequacy indicators are positive

Beneficiaries' access to care	Quality of care	Access to capital	Medicare payments and HHA costs
<ul style="list-style-type: none"><li>■ 98% live in a ZIP code with two or more HHAs</li><li>■ Total volume decreased, per-capita volume increased</li><li>■ Positive Medicare marginal profit: 25.9%</li></ul>	<ul style="list-style-type: none"><li>■ The pandemic and public health emergency-related policies affect quality measures and interpretation of trends</li></ul>	<ul style="list-style-type: none"><li>■ Large for-profit HHAs continue to have access to capital</li><li>■ Positive all-payer profit margin (11.9%)</li></ul>	<ul style="list-style-type: none"><li>■ 2021 Medicare margin: 24.9%</li><li>■ Relatively efficient provider median margin over 28%</li><li>■ Projected margin for 2023: 17%</li></ul>





Note: Results are preliminary and subject to change.

# Assessing payment adequacy and updating payments: Inpatient rehabilitation facility services

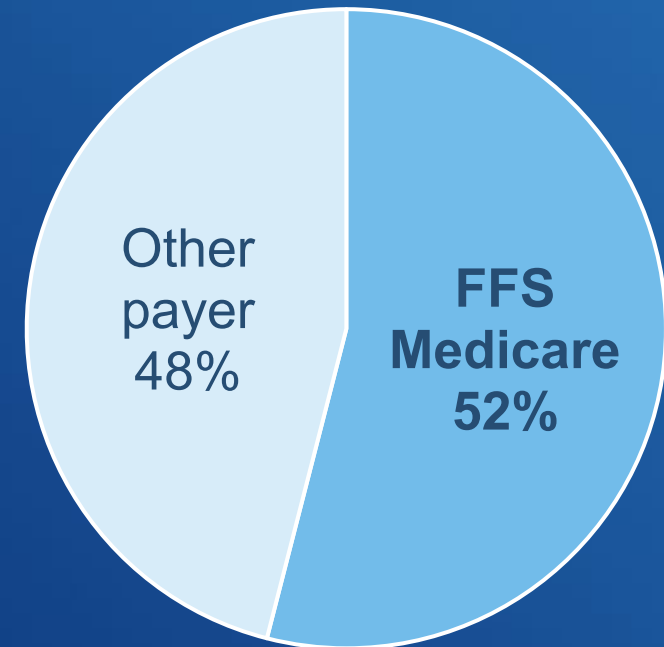
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January 12, 2023



# Overview of IRF sector in 2021

	<b>IRF providers</b>	1,180
	<b>FFS users</b>	335,000
	<b>FFS stays</b>	379,000
	<b>FFS spending</b>	\$8.5 billion

**IRF discharges**



# Summary: IRFs' payment adequacy indicators are generally positive in 2021

Beneficiaries' access to care	Quality of care	Access to capital	Medicare payments and IRFs' costs
<ul style="list-style-type: none"><li>Capacity appears adequate</li><li>Occupancy rate stable at 68%</li><li>High marginal profit<ul style="list-style-type: none"><li>HB: 22%</li><li>FS: 41%</li></ul></li></ul>	<ul style="list-style-type: none"><li>The pandemic and public health emergency-related policies affect quality measures and interpretation of trends</li></ul>	<ul style="list-style-type: none"><li>IRFs maintain good access to capital markets</li><li>All-payer total margin for freestanding IRFs: 14.0%</li></ul>	<ul style="list-style-type: none"><li>2021 aggregate Medicare margin: 17.0%</li><li>Relatively efficient provider median margin: 20.4%</li><li>2023 projected Medicare margin: 11.0%</li></ul>

Note: IRFs (inpatient rehabilitation facilities), FS (freestanding), HB (hospital based).

Results are preliminary and subject to change