Current State of Post-Acute Care

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What is "Post-Acute" care?

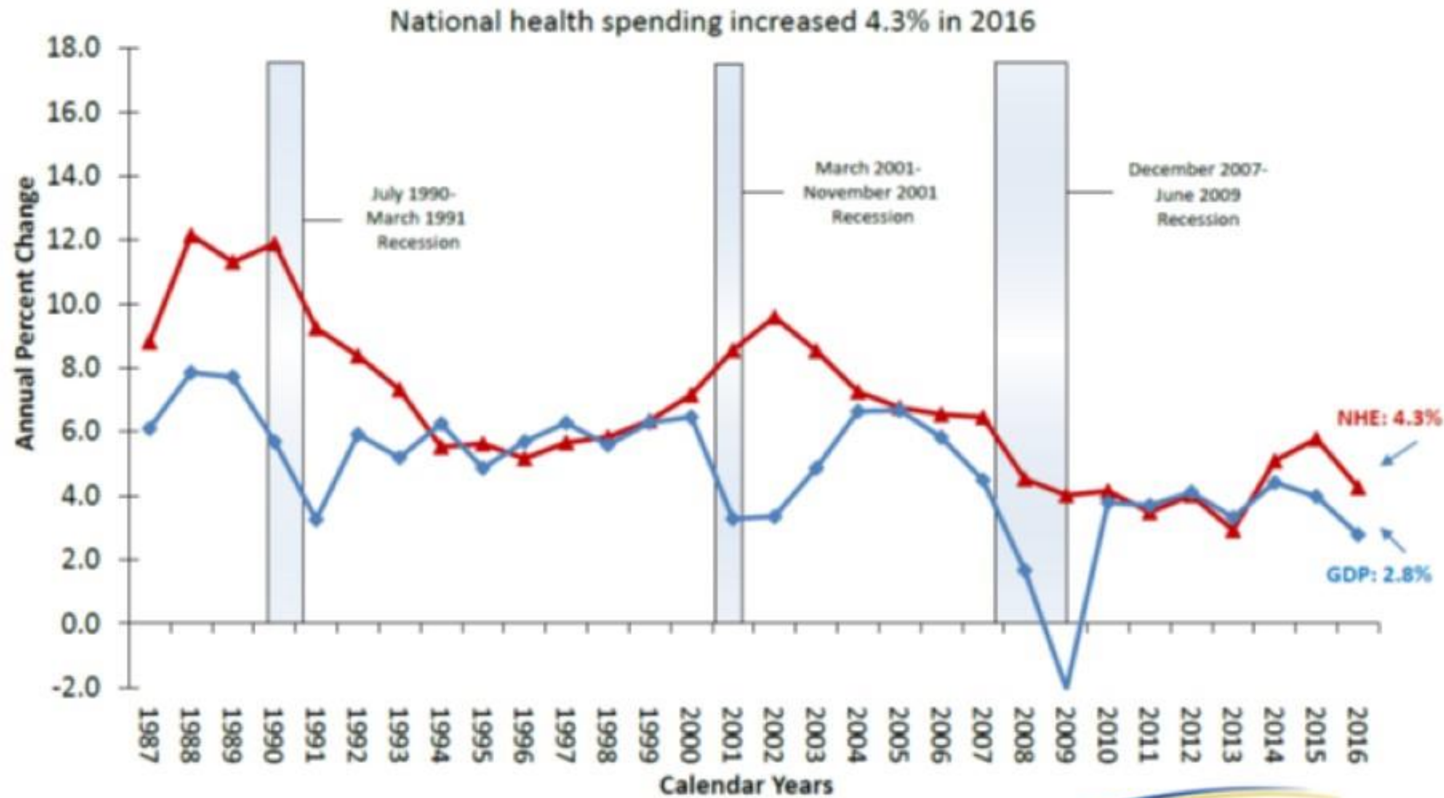
- Post-Acute Care spectrum includes skilled nursing or rehabilitation delivered after a stay in an acute care hospital
- Four primary settings:
  - Skilled Nursing Facilities ("SNFs")
  - Long-Term Acute Care hospitals ("LTACs")
  - Inpatient Rehabilitation Facilities ("IRFs")
  - Home Health Agencies ("HHAs")

Current State of Post-Acute Care

- After several tumultuous and uncertain years brought on by continuing demographic shifts, political uncertainty, and new regulation (Affordable Care Act) the industry is in a state of disruption
- While change will continue to occur at an ever-increasing pace, some clarity is beginning to emerge as to where the industry is headed

Impact of Trends in Healthcare Spending

Growth in National Health Expenditures and Gross Domestic Product, 1987-2016



SOURCE: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group; U.S. Department of Commerce, Bureau of Economic Analysis and National Bureau of Economic Research, Inc.

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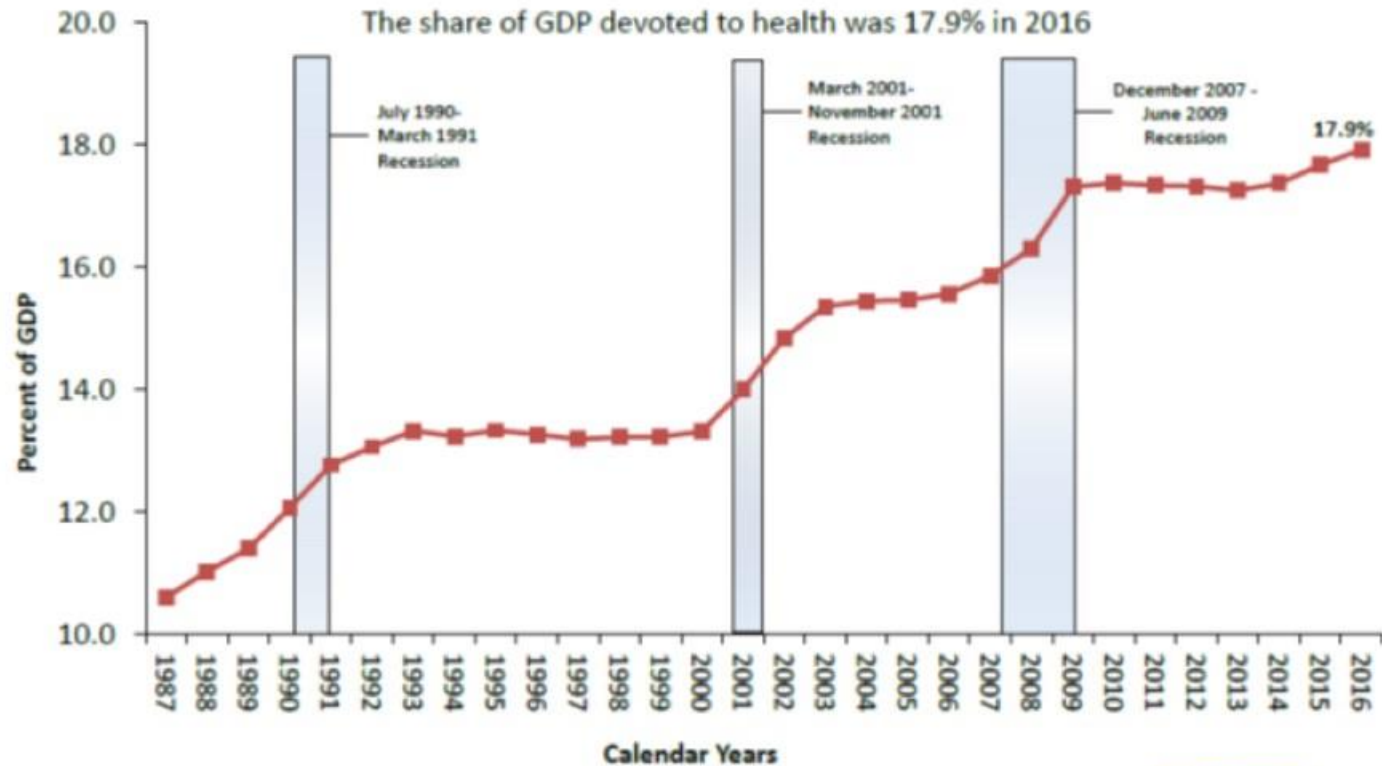

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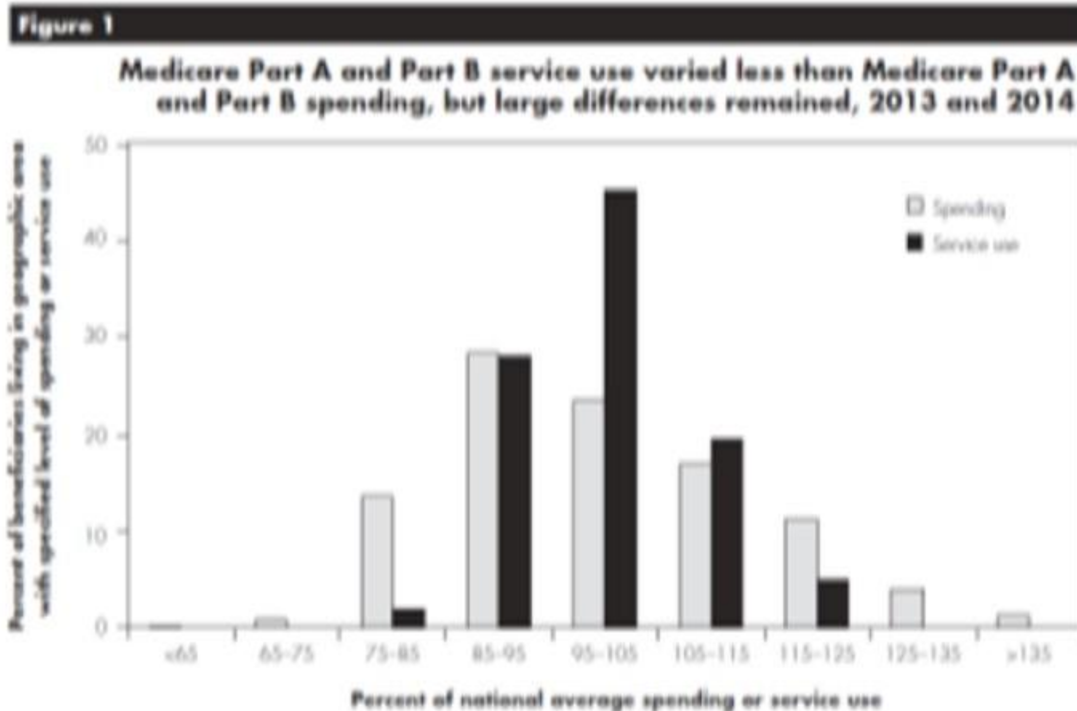
Trends in Spending Are Forcing Change

- Though spending growth has slowed somewhat in the past decade, U.S. healthcare spending continues to outpace growth in GDP
- As a result, healthcare spending as a percentage of GDP is on the rise
- U.S. healthcare spending grew 4.3% in 2016 to $3.3 trillion, or $10,348 per person
- CMS is predicting that health spending will approach 19.6% of GDP by 2026

Significant Geographic Spending Variations Exist



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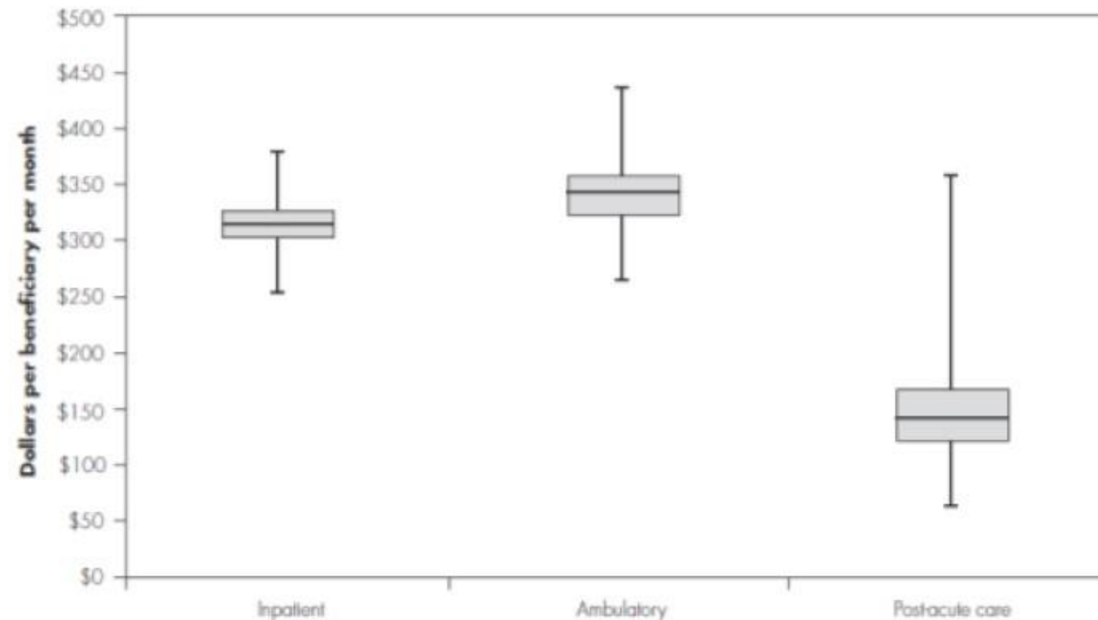
With Post-Acute Care Having the Greatest Variation



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Diversity of Settings Presents Challenges

- LTACs, IRFs, SNFs, and HHAs all have different reimbursement methodologies and reporting requirements
- Virtually impossible to have an "apples to apples" comparison of cost, efficiency, and outcomes across these four post-acute settings
- ¾ of Medicare spending variation can be traced to Post-Acute Care

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All of these Factors Drive CMS Objectives

- CMS is seeking to achieve these post-acute care goals:
  - Site-Neutral Payment System
  - Reduction in Lengths-of-Stay
  - Reductions in Readmissions
  - Improve Patient Outcomes

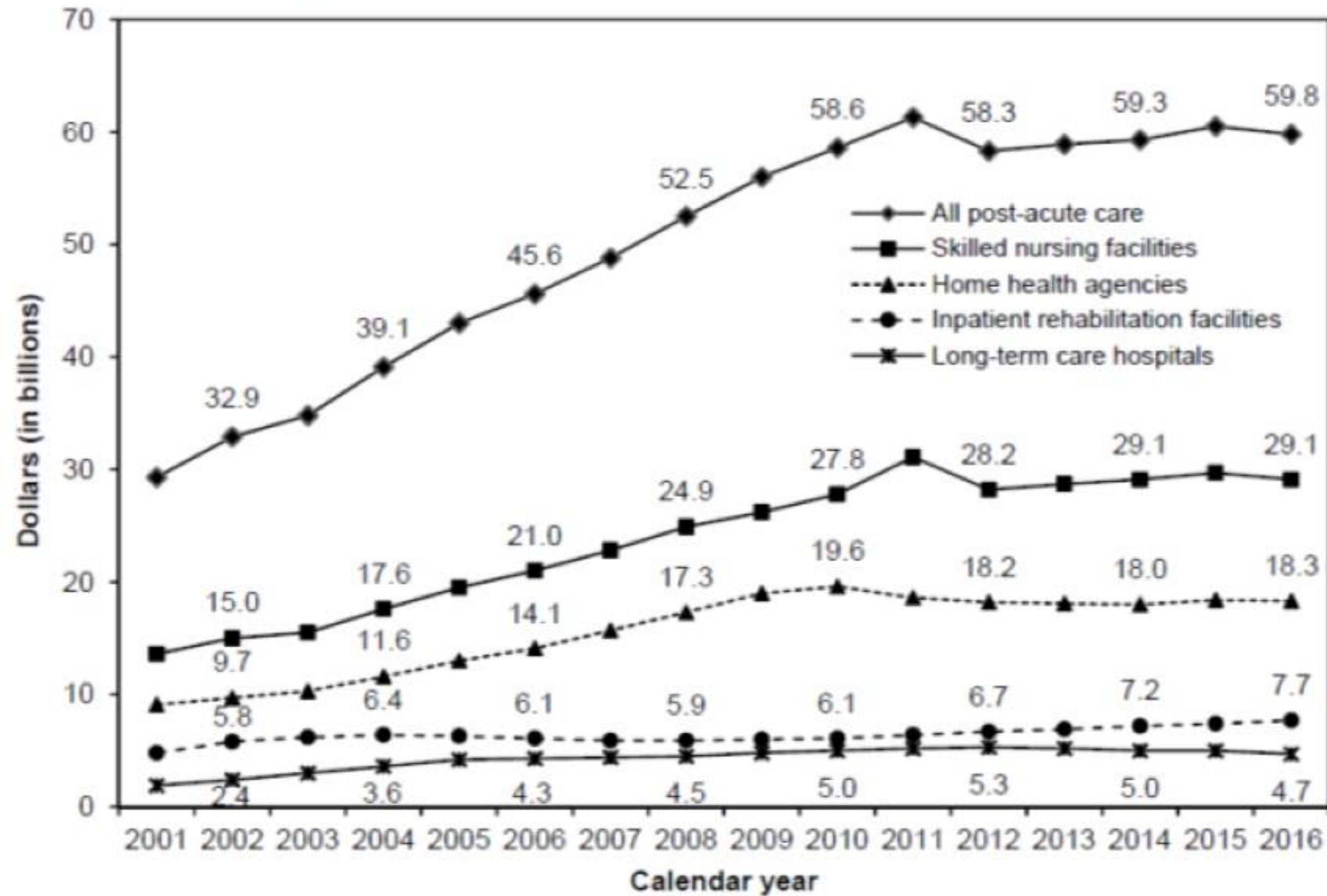
CMS “Toolkit”

- To accomplish these objectives CMS is using every tool it has:
  - Move to “Value” based payment versus “Volume” or “Service” based payments
  - ICD-10 Standardization
  - Standardization of Reporting Requirements

Impact on Skilled Nursing Facilities

- Why focus on Skilled Nursing
  - Despite recent declines in SNF admissions and stays, Skilled Nursing Facilities still account for the majority of Post-Acute facilities, Medicare Stays, and Medicare spending
  - Therapy utilization and total SNF payments have increased significantly despite no significant change in patient characteristics

Chart 8-2. Growth in Medicare's fee-for-service post-acute care expenditures has slowed since 2011



Note: These calendar year–incurred data represent only program spending; they do not include beneficiary copayments.

Source: CMS Office of the Actuary 2018.

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Chart 8-3. Freestanding SNFs and for-profit SNFs accounted for the majority of facilities, Medicare stays, and Medicare spending

	Facilities		Medicare-covered stays		Medicare payments (billions)	
Type of SNF	2011	2016	2011	2016	2011	2016
Totals	14,935	15,080	2,455,730	2,310,753	$28.8	$26.4
Freestanding	95%	96%	93%	95%	97%	97%
Hospital based	5	4	7	5	3	3
Urban	71	72	81	83	84	85
Rural	29	28	19	17	16	15
For profit	70	70	72	71	76	74
Nonprofit	25	23	25	24	21	21
Government	5	6	3	4	3	4

Note: SNF (skilled nursing facility). Totals may not sum to 100 percent due to rounding and missing values.

Source: MedPAC analysis of the Provider of Services and Medicare Provider Analysis and Review files, 2011 and 2016.

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Skilled Nursing – Incentives Under Current PPS

- Current RUG IV PPS has created incentives that are counter to some CMS objectives
- SNFs focus is on delivery of therapy services:
  - Physical Therapy (PT)
  - Occupational Therapy (OT)
  - Speech Therapy (ST)
- Longer Lengths of Stay are Incentivized
- 90% + of SNF Part A days are reimbursed at a RUG IV rate based on therapy minutes and ADL scoring

Other Trends Impacting SNFs

- Aging population, driven by wave of baby boomers
- Growth in Medicare Advantage plan enrollment
- Wholesale redesign of the PPS for SNFs
    - Effective 10/1/2019
    - RUG IV will be replaced by the Patient Driven Payment Model (PDPM)

Aging of Boomer Population

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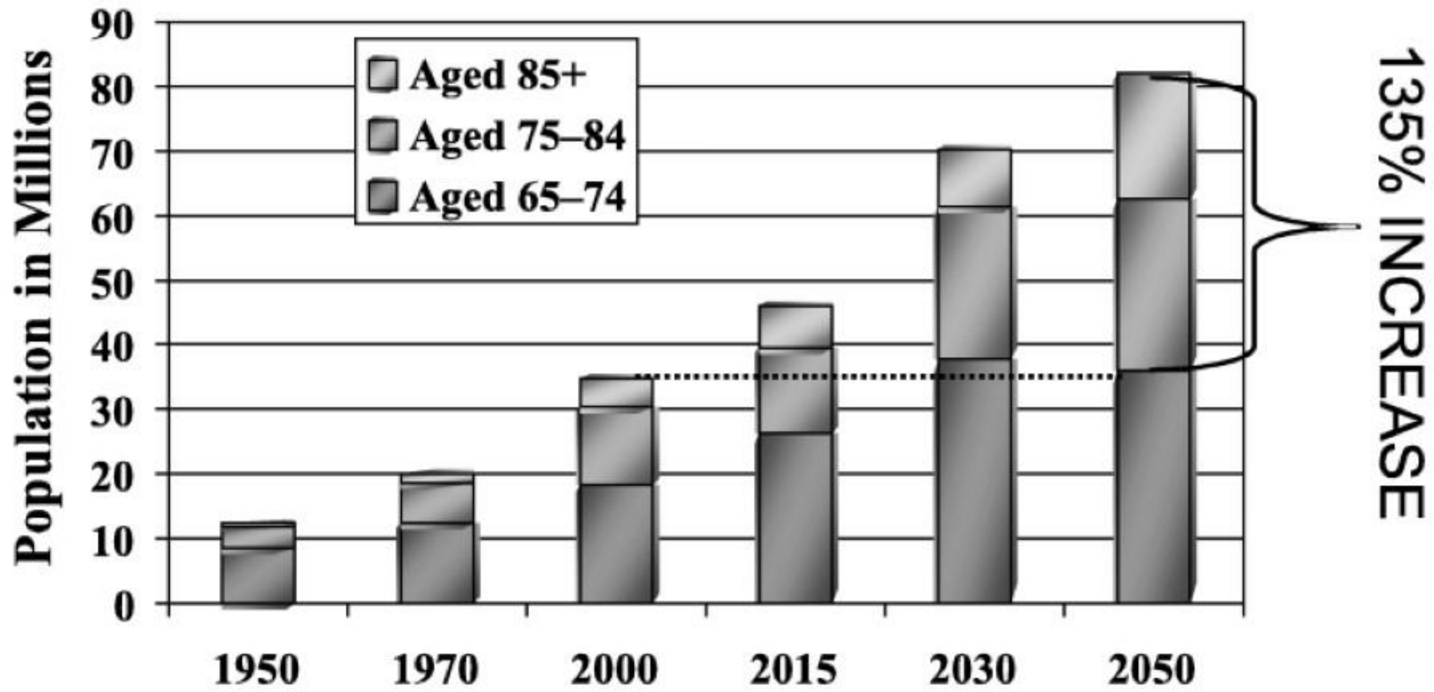

Source: (NP-T4) Projections of the Total Resident Population by 5 Year Age Groups, Race, and Hispanic Origin with Special Age Categories: Middle Series, 1999 to 2100

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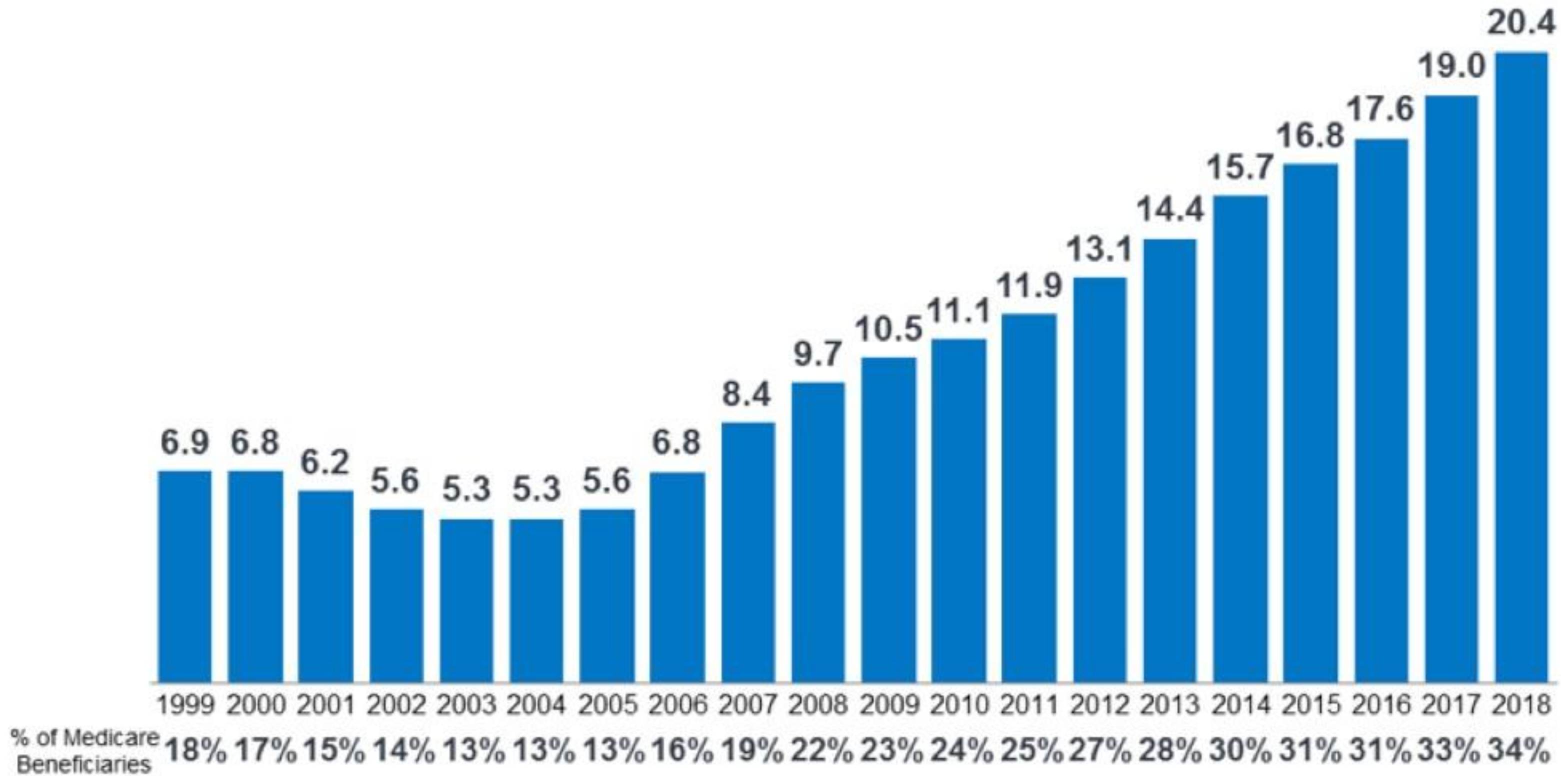
Medicare Advantage

Figure 1

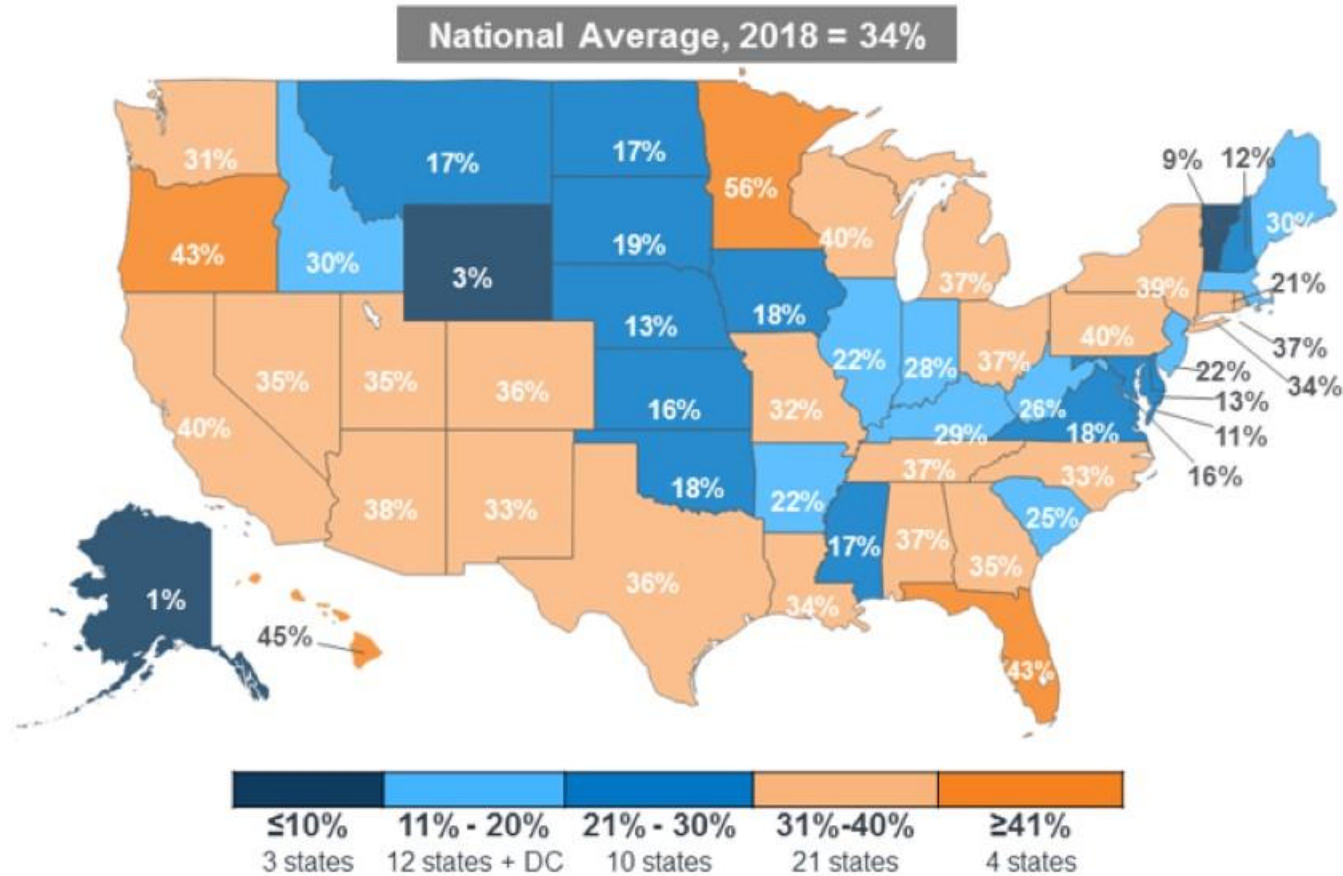
Total Medicare Advantage Enrollment, 1999-2018
(in millions)



NOTE: Includes cost plans as well as Medicare Advantage plans. About 61 million people are enrolled in Medicare in 2018.
SOURCE: Kaiser Family Foundation analysis of CMS Medicare Advantage enrollment files, 2008-2018, and MPR, 1999-2007; enrollment numbers from March of the respective year, with the exception of 2006, which is from April.

Figure 3

Medicare Advantage Penetration, by State, 2018

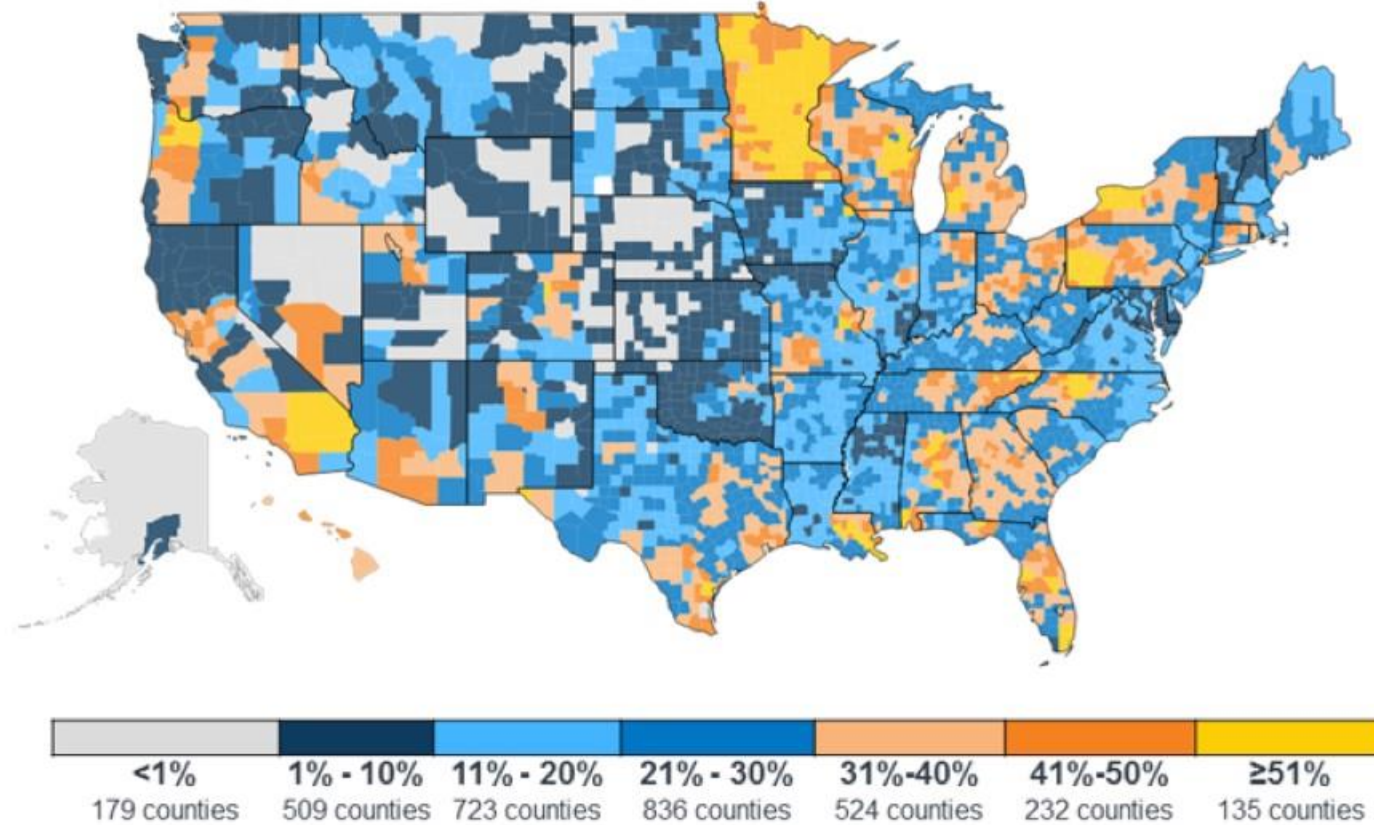


NOTE: Includes cost plans, which comprise the majority of enrollment in MN, ND, and SD, as well as other Medicare Advantage plans. Excludes beneficiaries with unknown county addresses.
SOURCE: Kaiser Family Foundation analysis of CMS State/County Market Penetration Files, 2018.

Figure 4

Medicare Advantage Penetration, by County, 2018

National Average, 2018 = 34%



NOTE: Includes cost plans, which comprise the majority of enrollment in MN, ND, and SD, as well as Medicare Advantage plans. Excludes all territories.
SOURCE: Kaiser Family Foundation analysis of CMS State/County Market Penetration Files, 2018.

Changes in Medicare SNF Payment Systems

Incentives are at Odds with CMS Objectives

- Current system incentivizes:
  - Delivery of services rather than outcomes
  - Longer stays
- Government efforts to control spending include:
  - Targeted Probe and Education - TPEs
  - Recovery Audit Contractors - RACs
  - Zone Program Integrity Contractors - ZPICs
  - Uniform Program Integrity Contractors - UPICs
  - Department of Justice investigations
  - False Claims Act litigation

Skilled Nursing – New Incentives Under PDPM

- Beginning in October of 2019, a new Medicare reimbursement program known as the Patient Driven Payment Model, or PDPM, will take effect
- PDPM represents a sea-change in the reimbursement model for Skilled Nursing Facilities

Major Changes Under PDPM

- Therapy minutes, the primary reimbursement driver under Medicare PPS, will have no impact on reimbursement
- Instead, patient clinical characteristics and diagnoses will drive reimbursement
- Per-diem payments will not be uniform but will decline over course of stay

PDPM Represents a Realignment of Incentives

- Therapy minutes no longer impact payment – focus is on value vs. volume
- Focus on patient characteristics and coding will place emphasis on nursing services and patient care
- Payments adjustments should better mirror care needs

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Challenges Facing SNFs under PDPM

- Transformation from service-based payment system to a value-based payment system
- ICD-10 Coding Standardization
- Reporting Requirements
- Redesign of Service Delivery
- Lack of data analytic tools to support decision making

In Closing

- SNFs must focus on transitioning now
  - Realignment of Therapy Service Delivery
  - Enhancement of Clinical Skills with a focus on Case Management
  - Development of Outcome Measures
  - Engaging with Hospitals and Referral Sources
  - Emphasize ICD-10 Coding Education
  - Building Skill Set Related to MDS Assessment Coding
  - Developing Relationships with Downstream Providers
  - Etc., Etc.

Questions?

- Please don’t hesitate to reach out to our team:

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