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## HIDA Webinar Series

# Reimbursement Outlook and Analysis

**SNFs, HHAs, & IRFs**

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# Agenda

## Current Regulatory Landscape

- Skilled Nursing Facilities
- Home Health Agencies
- Independent Rehab Facilities

## Healthcare Reform and Beyond

- Healthcare Reform and Post Acute Providers
- Budget Cuts & SGR Reform
- Accountable Care and the Supply Chain

## Medicaid Impacts

- Shift to Home and Community-Based Care
- Competitive Bidding and Sole Source Contracts

# Long-Term/Post-Acute Care Venues

- Long-term Care Hospital (LTCH)
- **Skilled Nursing Facility**
- **Inpatient Rehab Facility**
- **Home Health Agency**
- Outpatient Rehab Facility
- **Nursing Facility**  
*(custodial care, Medicaid)*
- Intermediate Care Facility
- **Home Care**
- Assisted Living
- Adult Day Care
- Hospice



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# Skilled Nursing Facilities

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# *Skilled Nursing Facilities*

- **SNFs will receive a 1.3% payment update (\$470 million) in FY 2014**
- **Estimates indicate the sector has incurred \$28 billion in cuts and reductions to Medicare over the past few years**
  - 2% mandatory sequestration cut to Medicare FFS
    - \$782 million in 2013 to nursing home sector
  - Relief and Job Creation Act of 2012 – decrease of \$3 billion over 10 years for “bad debt”
  - Healthcare reform– decrease of \$14.6 billion over 10 years

# Nursing homes face \$65 Billion in Cuts over next 10 years

## Cuts to SNFs: Individual and cumulative impacts, 2013–2014

STATE	TOTAL ANNUAL SNF CUTS approximate, in \$ millions	STATE	TOTAL ANNUAL SNF CUTS approximate, in \$ millions	STATE	TOTAL ANNUAL SNF CUTS approximate, in \$ millions
AK	\$0.9	LA	\$70.0	OK	\$40.0
AL	40.0	MA	130.0	OR	20.0
AR	30.0	MD	90.0	PA	200.0
AZ	30.0	ME	20.0	PR	0.1
CA	350.0	MI	140.0	RI	10.0
CO	40.0	MN	50.0	SC	60.0
CT	70.0	MO	70.0	SD	10.0
DC	3.0	MS	50.0	TN	100.0
DE	20.0	MT	10.0	TX	240.0
FL	370.0	NC	130.0	UT	200.0
GA	80.0	ND	4.0	VA	100.0
HI	5.0	NE	20.0	VI	0.0
IA	30.0	NH	20.0	VT	10.0
ID	10.0	NJ	190.0	WA	70.0
IL	240.0	NM	10.0	WI	70.0
IN	140.0	NV	20.0	WV	20.0
KS	40.0	NY	220.0	WY	0.0
KY	70.0	OH	200.0	<b>Grand Total</b>	<b>\$3,983.0</b>

Source: Avalere, 2012

# *States with largest SNF Medicare reductions*

- Florida (\$370 million)
- California (\$350 million)
- Texas (\$240 million)
- Illinois (\$240 million)
- New York (\$220 million)
- Pennsylvania (\$200 million)
- Ohio (\$200 million)
- New Jersey (\$190 million)
- Michigan (\$140 million)
- Indiana (\$140 million)

*Source: American Health Care Association, 2013*

# SNF Payment Reform Proposals

- Reducing market basket updates for SNFs
- Creating site neutral payments between inpatient rehab facilities and SNFs
- Establishing a SNF readmissions program
- Creating a post-acute care bundled payments program
- Exploring apply hospital acquired conditions payment policies to post-acute care settings
- Developing a value-based purchasing payment program in SNFs





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# Home Health Agencies

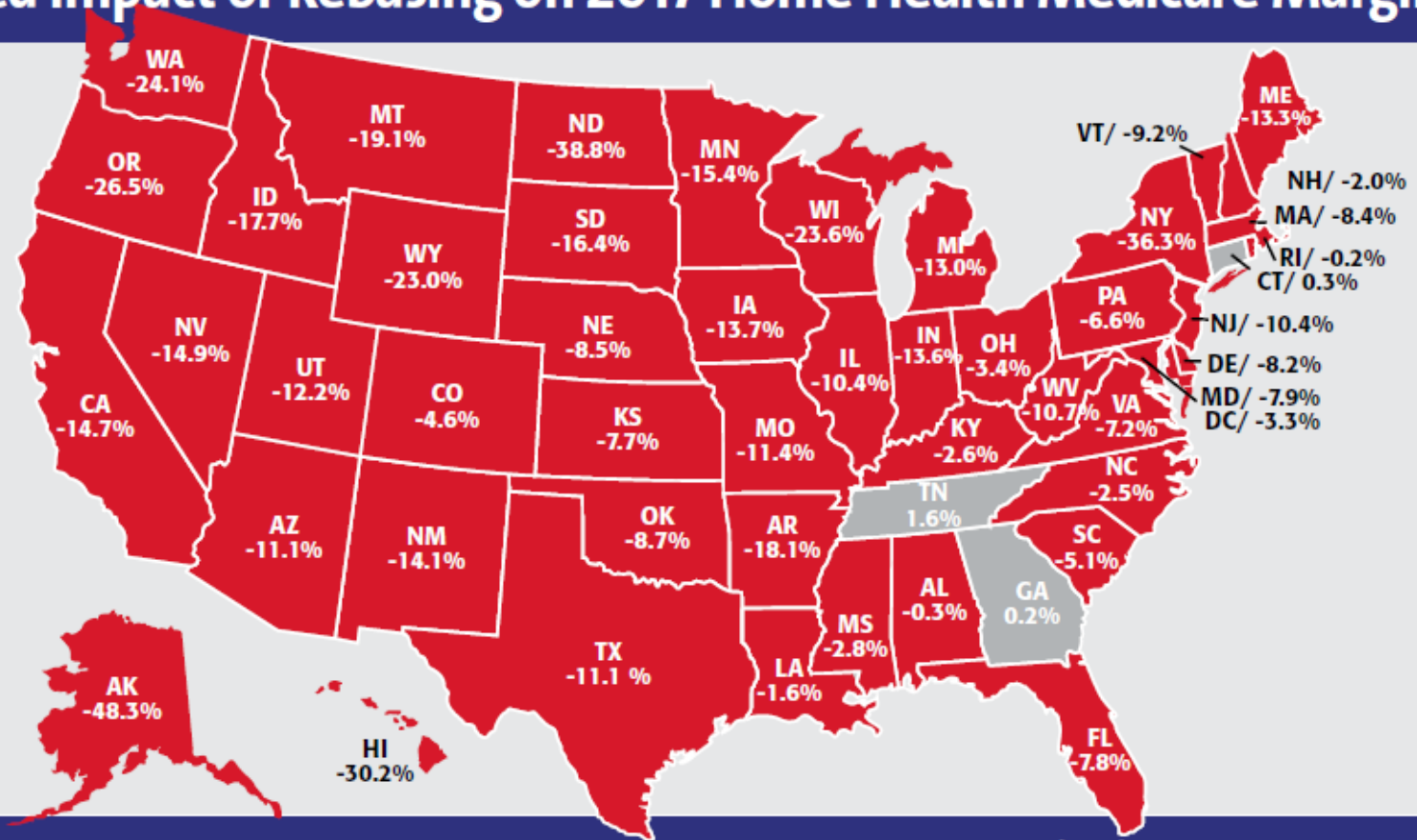
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# Home Health Agencies

- **Payments decreased by 1.5% (\$290 million) in CY 2014**
- **Rebases the national rate for a 60-day episode (CY 2014-2017)**
  - 3.5% cut annually, 14% cut to Medicare benefit for 4 years
  - Analysis indicates a decrease of \$22 billion over 10 years
  - 2% mandatory sequestration cut to Medicare FFS
- **Add 2-claims-based quality measures to the Home Health Quality Reporting program:**
  - Rehospitalization during the first 30 days of a Home Health stay
  - Emergency department use without hospital readmission during the first 30 days of home health

# Home Health Under the Microscope

## Projected Impact of Rebasing on 2017 Home Health Medicare Margins



Partnership for Quality Home Healthcare, 2013

# *Home Health Payment Reform Proposals*

- Capping services by establishing maximum annual reimbursements to HHAs
- Requiring co-pays for new beneficiaries of \$100 per episode starting in 2017
- Bundling payments to HHA's
- Further reducing market basket updates for HHA's by 1.1% through 2023
- Penalizing failure to submit data on quality measures associated with the Home Health Quality Reporting program



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# Inpatient Rehab Facilities

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# *Inpatient Rehab Facilities*

- **Payments increased by 2.3% in FY 2014**
- **2% reduction to annual increase for not reporting required quality measures in FY 2014**
- **Current quality reporting program requires data on two measures**
  - Catheter-associated urinary tract infections
  - Pressure ulcers that are new or have worsened

# ***IRF Quality Reporting***

- **ACA established IRF quality reporting program**
- **FY 2014 final rule adds three additional measures to quality reporting program:**
  - Percent of residents or patients who were assessed and appropriately given the seasonal flu vaccine
  - Influenza vaccination coverage among healthcare personnel
  - All-cause unplanned readmission measure for 30 days post discharge from IRF measure

# IRF 60% Rule Changes

- **CMS removed five codes from the compliance criteria associated with patients requiring intensive inpatient rehab services**
  - Non-specific diagnosis codes
  - Arthritis diagnosis codes
  - Unilateral upper extremity diagnosis codes
  - Some congenital anomaly diagnosis codes
  - Miscellaneous diagnosis codes



# MedPAC Recommendations

## MedPAC recently approved recommendations to:

- Eliminate payment updates to SNFs in 2015 and rebase the SNF PPS
- Freeze payments to HHAs in 2015
- Freeze payments to IRFs in 2015
- Create a readmissions reduction policy that would apply a penalty to HH payments for HH readmissions to hospitals that exceed a risk adjusted target



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# Healthcare Reform Policies

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Program/Policy	Implementation	Looking Ahead
VBP Reports for SNFs and HHAs	June 2012	<ul style="list-style-type: none"> <li>• The plan considers all dimensions of quality and efficiency; the reporting, collection, and validation of quality data; the structure of proposed value-based payment adjustments; and method for publicly disclosing information on performance.</li> <li>• If implemented, payment could be withheld from poor-performing SNFs by holding back a portion of that base payment rate or the annual update for all SNFs.</li> </ul>
Payment Bundling	January 1, 2013	<ul style="list-style-type: none"> <li>• A national, voluntary pilot program to coordinate care for Medicare beneficiaries.</li> <li>• Program will run for a period of five years.</li> <li>• Services will include acute care and post-acute services, including skilled nursing, inpatient rehabilitation, and home healthcare.</li> </ul>
Hospital Readmissions Reduction Program	October 1, 2012	<ul style="list-style-type: none"> <li>• Will reduce payments to hospitals for preventable Medicare readmissions.</li> <li>• Hospitals will assess discharge needs and post-acute partners to reduce readmissions.</li> </ul>
Payment Adjustment for HACs	Program begins in hospitals October 1, 2015; report to Congress on implementation in the post-acute setting was due January 1, 2012	<ul style="list-style-type: none"> <li>• Hospitals in the top 25th percentile of rates of HACs for certain high-cost and common conditions will be subject to a payment penalty under Medicare.</li> <li>• The Secretary is required to submit a report to Congress on the appropriateness of establishing an HAC policy related to post-acute providers participation in Medicare, including inpatient rehabilitation facilities, long-term care hospitals, and SNFs.</li> </ul>

# *Health Reform Policies cont.*

- **Quality Reporting for LTCHs, IRFs, and Hospice Programs beginning**
  - Begins FY 2014
  - Failure to submit required quality data will result in 2% reduction to annual payment updates
  
- **Competitive Bidding Expansion**
  - 21 additional MSA added to Round Two
  - Bid prices will expand nationwide in 2016 to urban and rural areas

# Additional Payment Reform Proposals

## ■ **Post acute policy proposals include:**

- Reducing market basket updates for SNFs, IRFs, and LTCHs
- Establishing a SNF readmissions program
- Creating a post-acute care bundled payments program

## ■ **Bipartisan groups introduced similar proposals in 2013**

- Ways & Means Committee
- MedPAC
- Simpson-Bowles Commission
- President's FY 2014 Budget



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# How Will Accountable Care Impact the Supply Chain?

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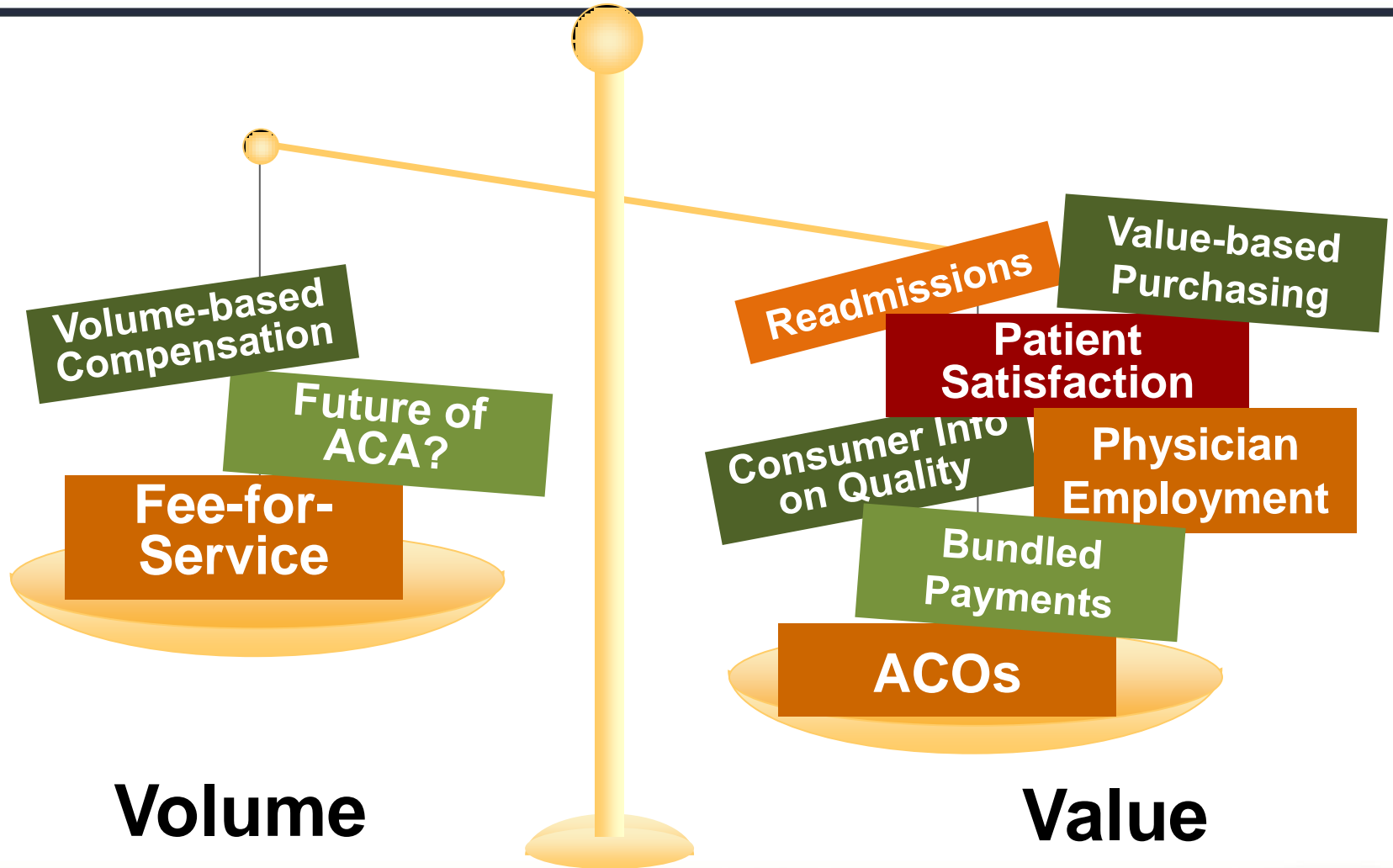
# More Focus on...

- Standardization of procedures and processes
- Evidence-based medicine
- Data analytics
- Physician engagement
- Patient engagement
- Service line management (example: spine care)
- Cost reduction
  - Where do they start first? Supply chain!

*Important to all acute care customers, with ACOs leading the way.*

*A reduction of two percent in supply chain spending (operating expenses) would require an average hospital to increase revenue by 30 to 40 percent to have the same impact. (Navigant Pulse, Winter 2011)*

# Healthcare at a Tipping Point



**Volume**

**Value**





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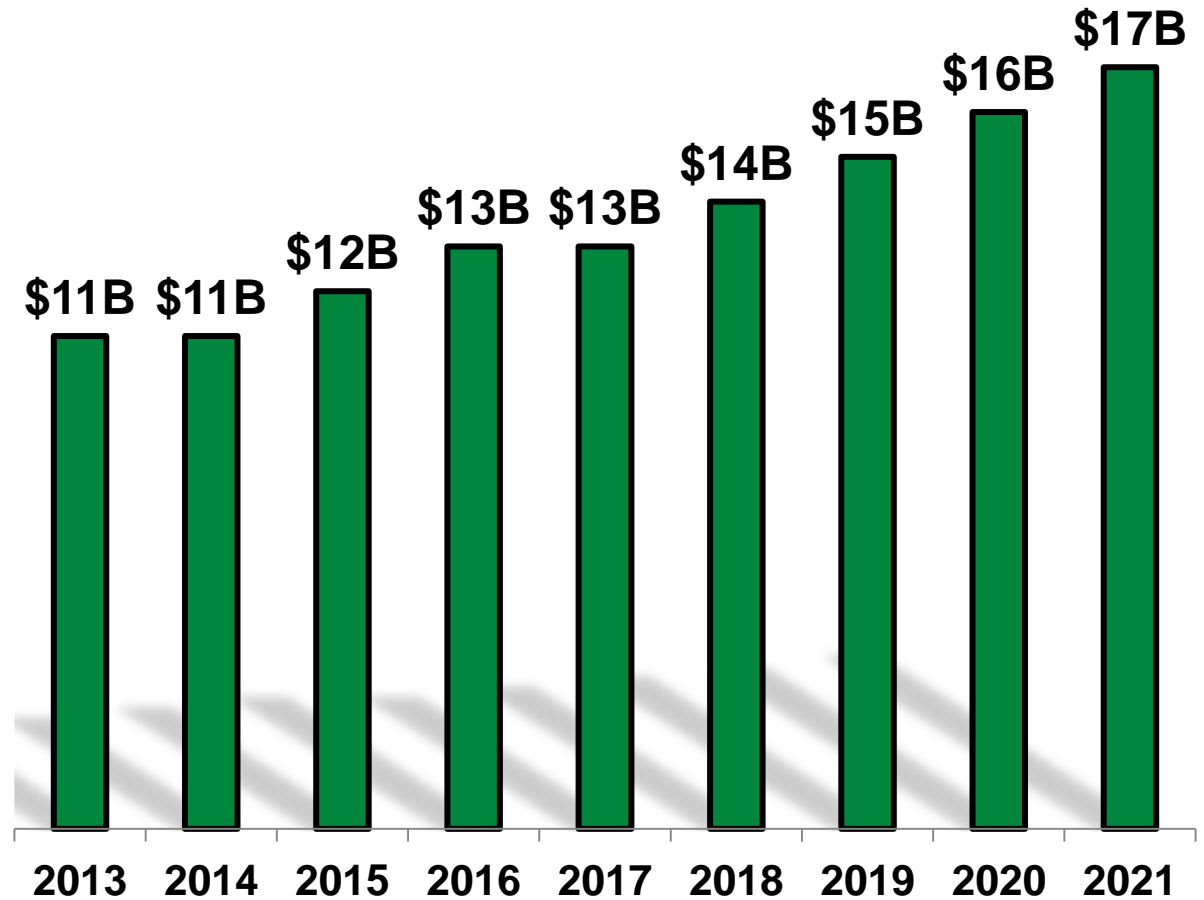
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# Additional Impacts

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# The Effects of Sequestration Cuts

- Sequestration projected to cut \$123 billion in Medicare provider payments from 2013 to 2021.
- CBO projects a gradual increase in Medicare reductions.
- Congress delayed start date from January 1 to March 1, 2013.



# Healthcare Budget Biopsy

Programs Impacted by Sequestration	2013 Cuts
Medicare	\$11 billion
Maternal and Child Health Block Grant	\$42 million
AIDS Drug Assistance Program	\$73 million
HIV Preventions and Testing	\$26 million
Breast and Cervical Cancer Testing	\$12 million
Childhood Immunization Grants	\$14 million
Public Health Emergency Preparedness Grants	\$48 million

Medicaid is exempt, but public health programs are not.

This list is not a comprehensive list of programs impacted by the budget sequestration.

# SGR Reform On The Horizon

## Looming Cuts

- 20.1% Medicare Physician Pay Cut (SGR formula)
- Congress postponed the cut until March 2014 via a “patch” which gives lawmakers more time to discuss potential solutions and agree on offsets for a full repeal of the SGR.

## Full Repeal of SGR

- Senate Finance, House Ways & Means, and House Energy & Commerce (E&C) Committees have reached a policy deal
- **Cost - \$128 billion**
  - 5 years of .5% increases
  - Incentivizes patient centered medical home
  - Rewards value and quality

# ***SGR Reform's Impact on PAC Providers***

- **Post-Acute Care Providers on the “chopping block” due to higher Medicare margins and over utilization**
- **Potential Offset Options**
  - Equalize payments for certain conditions treated in SNFs and IRFs
  - Adjust SNF payments to reduce readmissions
  - Limit Medicaid reimbursement of DME based on Medicare rates
  - Adjust payment updates for certain PAC providers
  - Implement bundled payments for PAC providers
  - Reduce Medicare coverage of Bad Debt reimbursement

# *Competitive Bidding for DMEPOS*

- **July 2013 - Round Two underway for 8 product categories in 91 MSAs**
  - 45% lower than current fee schedule
- **January 2014 - Round One Re compete**
- **Repeal/Modification?**
  - OIG currently investigating CMS Round Two compliance issues in MD, MI, OH & TN
  - Delay, Market Pricing Program legislation

# *Product Categories at Play*

- Oxygen, oxygen equipment and supplies
- CPAP devices and respiratory assist devices and related supplies
- Standard nebulizers
- Walkers
- Standard power and manual wheelchairs
- Scooters and related accessories
- Hospital beds and related accessories
- Group 1 and 2 support surfaces
- TENS devices
- Commode chairs
- Patient lifts and seat lifts
- Enteral nutrients, equipment and supplies
- Negative pressure wound therapy pumps and related supplies
- External infusion pumps and supplies

# Poll Question

**Are you currently doing business and/or located in a state impacted by Medicare's competitive program for DMEPOS?**

- A. Yes**
- B. No**
- C. What's competitive bidding?**





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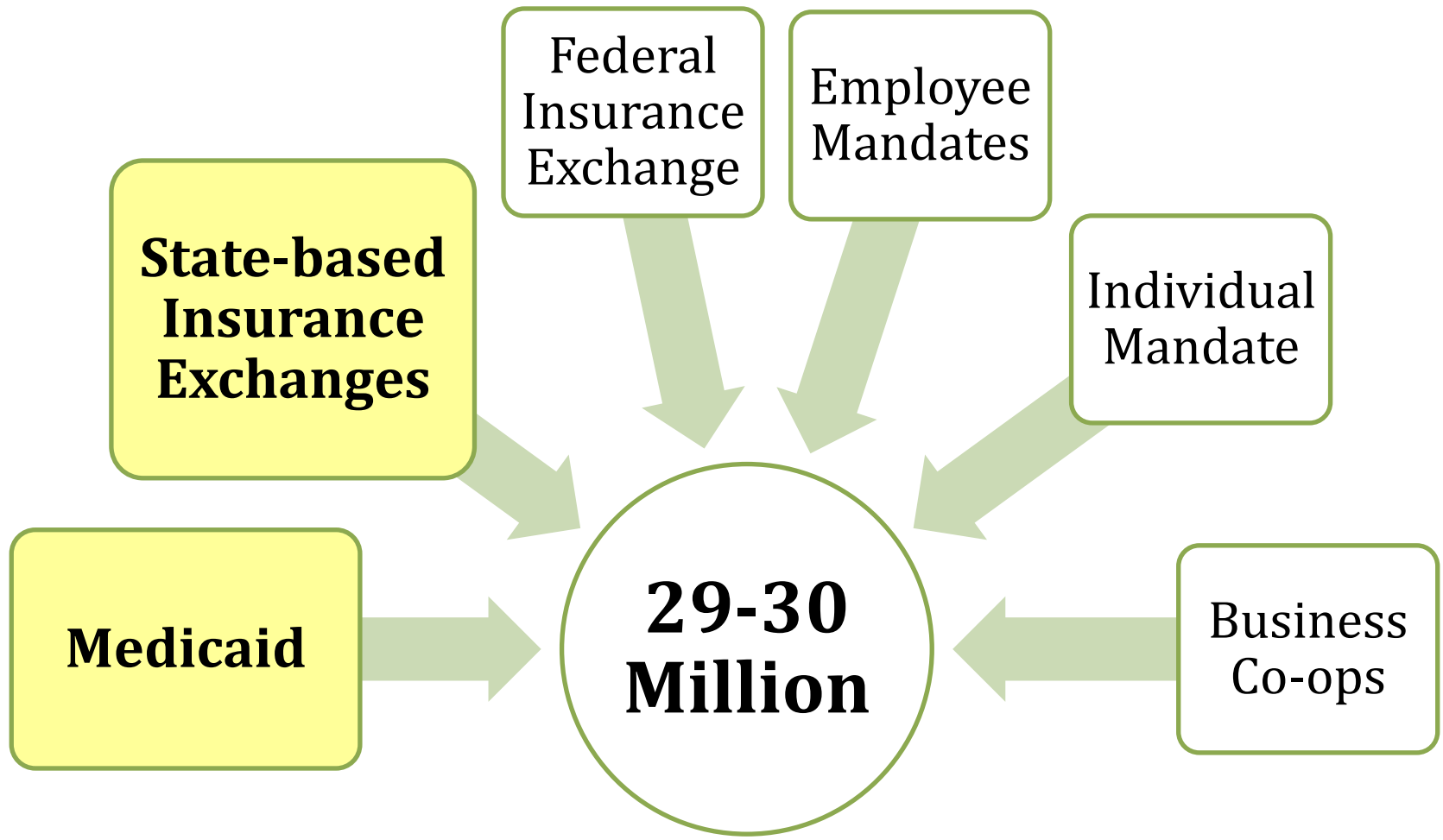
# Medicaid Impacts

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# Health Reform In High Gear

Insurance		Programs/Funding	
✓	Individual Mandate - 2014	✓	Accountable Care Organizations - In Effect
?	Medicaid Expansion - 2014	✓	Centers for Medicare and Medicaid Innovation - In Effect
✓	Health Insurance Exchanges - 2014	✗	CLASS Act for Long-Term Care Insurance - Repealed
✓	Employer Mandate - 2014	✓	Independent Payment Advisory Board - No Nominations Yet
✓	Guaranteed Coverage for Pre-existing Conditions - 2014	✓	Comparative Effectiveness Research (PCORI) - In Effect
✓	Premium Tax Credits - 2014	✓	Medicare Provider Cuts - 2012
✓	Ban on Coverage Limits - In Effect	✓	Medical Device Tax - 2013

# ... In Order to Expand Coverage to 30 million



# Medicaid Expansion

## Underway as of January 2014

- Covers individuals with incomes up to 138% of the federal poverty line

## Tennessee, Pennsylvania, Iowa, Michigan and Indiana

- Submitted proposals to the Health and Human Services that would allow them to use federal Medicaid dollars on alternate plans to cover more low-income residents.

## 11 Million

- The Congressional Budget Office estimates that the Medicaid expansion is projected to provide health coverage to 11 million uninsured by 2022.

# 2014 Medicaid Funding

## State Spending Is Up

- Medicaid spending, as a percentage of total state spending, rose to an estimated 24.5% in FY 2013.
- State Medicaid budgets are expected to grow as some states prepare to expand their Medicaid rolls under the ACA's 2014 expansion provision.

## Federal Spending Is Up

- Over the next decade, federal Medicaid expenditures are expected to grow by an average annual rate of 8%, with acute care growing slightly faster than long-term care.

# Medicaid Cuts Squeeze SNF Margins

- Mandatory benefit in nursing homes
  - Medicaid pays over 65% of services, payments comprise less than 50%
- 30 states projected budget shortfalls in 2013 totaling \$49 billion
  - Several states reduced payments to SNFs (e.g. IL, LA)
  - 40 states have cut or frozen SNF payments since 2009
  - Medicare no longer subsidizes Medicaid shortfalls

# Poll Question

What percentage of all U.S. nursing homes days are paid for by Medicaid?

- A. 40%
- B. 50%
- C. 60%
- D. 70%
- E. None of the above

# Medicaid Reimbursement Trends

- Expanding HCBS to drive down SNF utilization
- Moving LTC to managed care contracts
- Competitive Bidding for DME
  - OIG reports on implementing Medicare rates for DME in TX, MN
- Sole Source contracts for certain product categories
  - NC, SC, VA, NJ
- Block grants
- Limiting covered services



# *Home and Community-Based Services Expansion*

- Medicaid is the largest payer of long term services and supports (LTSS)
  
- State Medicaid Budgetary Spending on LTSS Continues to Grow
  - State and federal efforts are underway to expand the use of non-institutional LTSS care options to help curb spending.
  
- In 2013, 26 States Expanded Home and Community-Based Services
  - States are being incentivized to expand the use of non-institutional options.

# Medicaid Managed Long Term Services and Supports

## An Increase

- The number of states with MTLSS programs doubled between 2004-2012 from 8 to 16; the number of persons receiving LTSS through managed care programs increased from 105,000 to 389,000.
- Expected to increase to 26 states in 2014, based on the states that have completed planning documents and submitted formal proposals or waiver applications to CMS.