Medicaid/Medicare Cuts; What’s Next?

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Cynthia K. Morton, MPA
Executive Vice President
National Association for the Support of Long Term Care

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Where have we been?
SNFs Have Absorbed Major Medicare Cuts in the Last Two Years

- 2010 CMS Regulation – Cut $12.1 billion over 10 years from the forecast error adjustment; 3.2% reduction in 2010

- Health Care Reform Law – Cut $16.9 billion over 10 years from productivity adjustments and reductions in the market basket update starting in 2012

- 2011 CMS Regulation – Cut $2.2 billion over 10 years from the 0.6% reduction in the market basket update for 2011; Cut 7-8% in Part B therapy payments to SNFs in 2011; Increased administrative burden from MDS 3.0
2012 CMS Regulation “Game Changer”

CMS SNF PPS Final Rule: eff. 10.1.11

- Net reduction in SNF payment rates of 11.1%, estimated at $3.87 billion ($60-65ppd).
- Therapy changes are impactful
  - Allocation of group therapy minutes
  - Change of therapy assessment
  - Financial impact could be as bad as rate cut
SNFs are getting cut again? Why?

- Transition to RUGs IV = budget neutral

- Patients in highest paying RUG IV therapy group > 40% as compared to 10% as projected

- Increase in Group therapy (reimbursed 1 on 1) as Concurrent Therapy was curtailed

- Actual RUG IV patterns differed significantly in first quarter than forecast

- SNFs received $2.1 billion in unintended payments in first 6 months of new fiscal year
Why? …continued

- MedPAC: *March 2011* report --aggregate Medicare margin for freestanding SNFs, which represent more than 90 percent of all SNFs, increased from **16.6% in 2008 to 18.1% in 2009**, margins exceeded 10 percent nine years in a row.

- Office of Inspector General: reports
  - “Questionable Billing by SNFs” Dec 2010 found increased claims for higher paying RUGs even though beneficiary characteristics were largely unchanged

- “Questionable Billing for Medicare Outpatient Therapy Services” Dec 2010 found Medicare per-bene spending on outpatient therapy services in Miami-Dade County was 3 times national average in 2009
What Is the Super Committee? Can the Super Committee cut SNFs?

Super Committee—

- 12 Members of Congress
- Must find $1.2 trillion in cuts.
- Broad authority to cut entitlements (Medicare, Medicaid, Social Security), raise taxes; every program is on the table.
- Must vote by 11/23; Congress must vote by 12/23
Where Could the Super Committee Cut Long Term Care?

- **Market Basked Freeze, recoupment** - CMS believes that it overpaid $4.5 billion in FY 2011
- **Blended Medicaid Rate** - One federal Medicaid match rate per state
- **Provider Tax** - Lower the provider tax to 3.5% starting in FY 2014. Could save $2.15 billion a year
- **Medicare Bad Debts** - Makes SNFs responsible for bad debts instead of govt and cost the profession $1.05 billion
- **SNF Cost Sharing** - add a co pay to first 20 days
- **Sustainable Growth Rate** ("Doc Fix") - Congress will have to spend money to fix this
  - Extension of the Therapy Cap exceptions process is at risk
What is Sequestration?

- If Super Committee does not produce a package, or Congress does not approve it or if the package is less than $1.2 trillion in savings = SEQUESTRATION.
- Sequestration is implemented to achieve savings = $1.2 trillion
- Divided 50-50 between Defense & Domestic
  - 2% cut to Medicare provider payments
  - Medicaid & Social Security exempted
- Nursing home providers could be hit by the Super Committee and Sequestration!
Likely Scenario

• Super Committee hits $1.2 trillion target
  • Includes cuts in several health care sectors including long term care

Or

• Super Committee misses target
  • Cuts in several health sectors, including long term care (combination of Committee recommendations and sequester)

• Short term physician fix in separate bill
  • Industry vulnerable as “pay-for”
  • Therapy cap exceptions process extended
Therapy Cap...and other Ancillary Issues

- Current Exceptions Process expires 12/31/11
- Need Congress to extend it along with the “doc fix”
- Problematic this year
Competitive Bidding

- Round I  9 MSA’s  28 million in population
- Round II  100 MSA’s  190 million in population

Products Added
- Negative Wound Therapy returned to the program
- Manual wheelchairs and scooters included
- Group Two Support Surfaces now national

- No announcements of process or program changes
The Current System

Payment and Delivery Silos

- Inpatient Hospital
- Long Term Hospital
- Inpatient Rehab
- Medicare Medicaid
- Managed Care
- Physicians
- SNF
- Home Health
CMS Vision for Post-Acute Care

“The person-centered post-acute care system of the future will:

• Optimize choice and control of services;
• Ensure that placement decisions are based on patient needs;
• Provide coordinated, high quality care with seamless transitions between settings;
• Reward excellence by reflecting performance on quality measures in payment;
• Recognize the critical role of family care giving; and
• Utilize health information technology.”

CMS’ Triple Aim

- **Care**—Improving the individual experience of care
- **Health**—Improving the health of populations
- **Cost**—Reducing per capita cost of care for populations
CMS: Implications for Post-Acute Care Moving Away From Silos

- Managed care
- Value-based purchasing
- Episodic care
- Bundling
- Accountable Care Organizations
- Medical homes
### Our Future Under Health Care Reform

#### Health care reform is designed to significantly alter:

<table>
<thead>
<tr>
<th>How we Pay for Care</th>
<th>How Care is Delivered</th>
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<tr>
<td>• Payment reductions</td>
<td>• Center for Medicare and Medicaid Innovation</td>
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<td>• Bundled payments</td>
<td>• Comparative effectiveness (evidence-based best practices)</td>
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<td>• Shared Savings</td>
<td>• Multidisciplinary care teams across sites of service</td>
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<td>• Value-based payment</td>
<td>• Electronic Health Records</td>
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<td>• Independent Payment Advisory Board</td>
<td>• Care Transitions</td>
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<td>• Improved coordination of care for dual eligibles</td>
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#### How Care is Organized
- Accountable care organizations
- Medical homes
- Episodes of care
- Health information exchange
### Summary Payment Reform Timeline

**2011**
- Plan for transitioning SNF & Home Health to value-based payment system submitted to Congress.
- Community-based Care Transitions program begins.
- Center for Medicare and Medicaid Innovation created to test reforms rewarding quality vs. volume.
- Physician Compare website launched.
- 10% bonus payment for primary care practitioners.

**2012**
- Medicare shared savings program begins - ACOs.
- Hospital Readmission Reduction Program penalties imposed.
- Independence at Home” demonstration project.
- Medicaid bundled payment demo starts in up to 8 states.
- Medicare value-based purchasing begins for hospitals.
- Productivity adjustments with market basket updates for certain providers.

**2013**
- National bundled payment pilot for Medicare begins.
- Medicaid payments for PCPs increased to 100% of Medicare fee schedule.
- Hospice payment reform/payment reductions implemented.
Summary Payment Reform Timeline

- First Independent Payment Advisory Board report required to Congress.
- Medicare hospital DSH payments reductions begin.
- Rebasing of Home Health payments begins with four year phase-in.

2014

- Reductions for hospital acquired conditions.
- Home Health productivity adjustments incorporated into annual updates.
- Physician value-based system implemented for Medicare.

2015

- Hospice value-based purchasing pilot program established (Medicare).
- National Medicare Bundled Payment Pilot program expansion permitted.

2016
The Field of Aging Services is Evolving: Where will YOU fit?

Spectrum of Services

Want driven
Preventative
Need driven
Long-term care
Hospital

Want driven
Preventative
 Need driven
Active adult communities
Continuing care retirement communities/multi-level campus

Senior Membership
Wellness Programs
Geriatric Assessment
Health & Wellness Centers
Intentional Community
Telehealth & Home Technologies
Assisted Living
Board & Care Intermediate Care
Outpatient Therapies
Subacute Rehab
Acute Hospitalization

Long Term Acute Hospitalization

Need driven
Long-term care
Hospital

Preventative
Active adult communities

Continuing care retirement communities/multi-level campus

Needs driven

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Preven
Capitol Hill and CMS are driving major changes to our sector

- For those we can influence, we are employing a strategic approach:
  - SNFs Are Vital Economic Engines, Providing Good Job Opportunities Across the Nation
    - Nursing facilities were the second largest employer in the health care industry, employing about 23 percent of all health care workers in 2008
    - Nursing facilities are major employers in some communities, especially in rural areas
  - Rehabilitative Services Provided in LTPAC Are Significant for Vulnerable Americans
    - Majority of SNF patients are short-stay medically complex Medicare patients who are discharged from the hospital and need restorative care before returning home

- Care not Cuts! Advertising campaign
- We have taken enough cuts
- Advocacy, advocacy, advocacy!
  - Have you emailed your Member of Congress yet?
Contact

Cynthia K. Morton
National Association for the Support of Long Term Care
Cynthia@NASL.org
(703) 549-8500