

## DETAILS ON MEDPAC REPORT ON SNFS

The Medicare Payment Advisory Commission's ("MedPAC") recent **Report to Congress** included a chapter dedicated to skilled nursing facilities ("SNFs"), which MedPAC reports received \$31 billion in Medicare reimbursement in 2011. Recently, SNFs have been under pressure from repeated reimbursement cuts; however, MedPAC's analysis states that SNF reimbursement is adequate.

In analyzing reimbursement adequacy, MedPAC reviewed access to care (including the supply of providers and volume of services), quality of care, provider access to capital and Medicare payments in relation to providers' costs to treat Medicare beneficiaries. Using data from the prior three years, MedPAC was able to identify facilities that furnished relatively high quality and had relatively low costs compared with other SNFs and had high Medicare margins, suggesting that opportunities remain for other SNFs to achieve greater efficiencies without losing Medicare revenue.

This year, MedPAC reiterated the recommendations it **suggested to Congress last year**. Namely, that Congress should eliminate the market basket update and direct the Secretary of Health and Human Services to revise the prospective payment system ("PPS") for SNFs. Additionally, SNF payments should be rebased in 2014, with an initial reduction of 4% and subsequent reductions over an appropriate transition period until Medicare reimbursements are better aligned with providers' costs.

MedPAC suggested three initiatives to better align reimbursements with provider costs. These include basing therapy services on patient characteristics rather than services provided, removing payments for non-therapy ancillary services (such as pharmaceuticals) from the nursing component and made available through a separate component established specifically to adjust for differences in patients' needs for such services and to allow for an outlier policy within the PPS.

MedPAC based these recommendations on the following findings:

- High and sustained Medicare margins (over 10% for past 11 years);
- Widely varying costs unrelated to case mix and wages;
- Cost growth well above the market basket that reflects little fiscal pressure from the Medicare program;
- The ability of many SNFs (more than 900) to have consistently below-average costs and above-average quality of care (however, consider these 900 facilities in comparison to over 15,000 SNFs in total);
- The continued ability of the industry to maintain high margins despite changing policies; and
- The fact that in some cases Medicare Advantage payments to SNFs are considerably lower than the program's FFS payments, suggesting that some facilities are willing to accept rates much lower than FFS payments to treat beneficiaries.

MedPAC's report is clear that they believe SNFs are a prime target for reduced Medicare reimbursement. While MedPAC's recommendations to Congress are only advisory, their continued message to Congress is that SNFs can make due with less reimbursement. Facilities must strive to constantly improve quality of care and find ways to reduce costs. MedPAC's report, and reiterations of the same recommendations, should serve as a call for SNFs to review their practices for quality improvements and increased efficiencies, as well as consider future reimbursement cuts.

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