THE FUTURE OF MEDICARE

MEDICARE 101

APRIL 22, 2022

PARTNERS

30 YEARS
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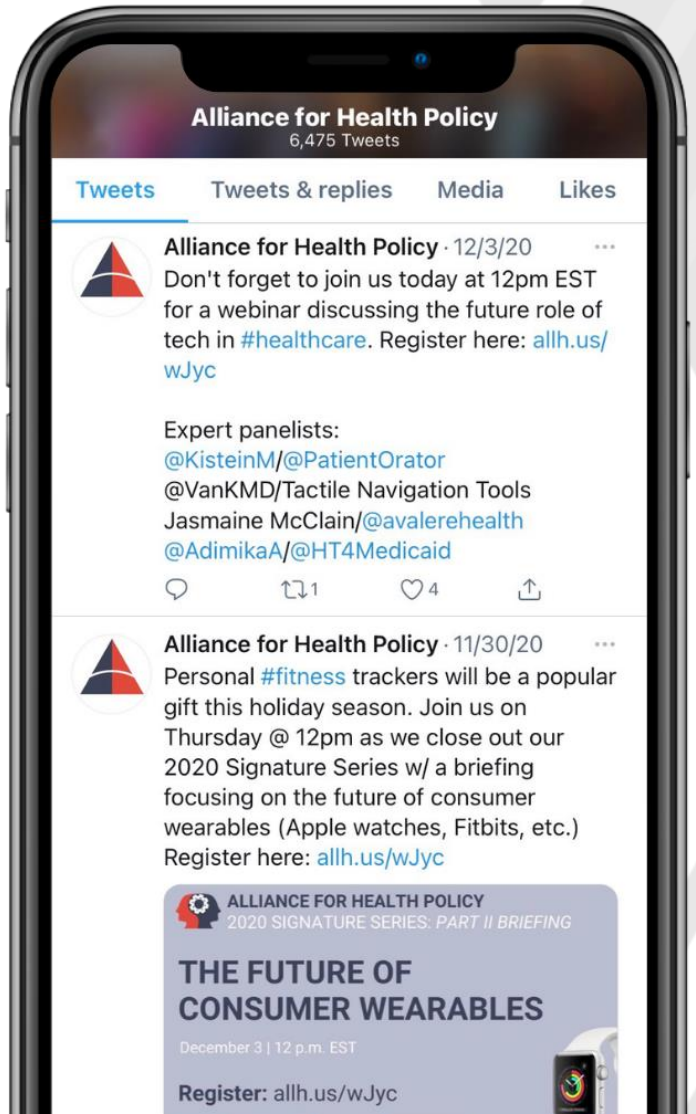

PARTICIPATING

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Medicare 101

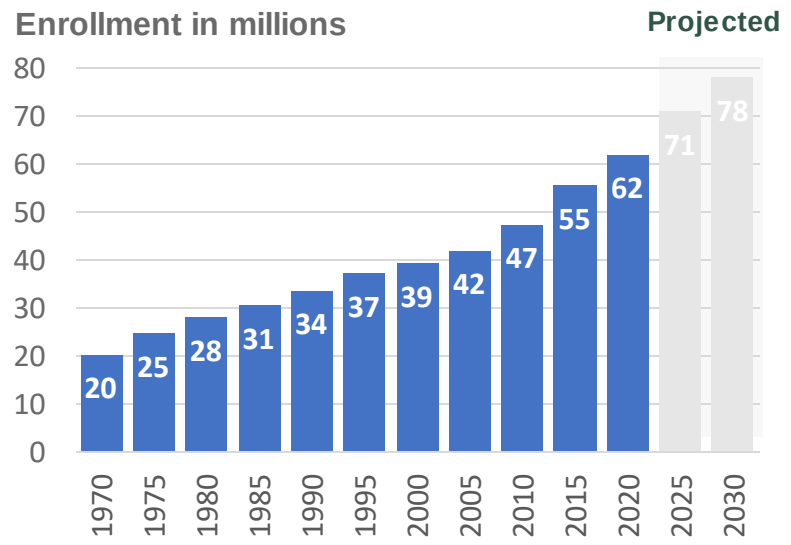
- Medicare was signed in to law in 1965 by President Lyndon Johnson
- Federal Health Insurance Program for
  - People who are age 65 and older
  - Certain people with disabilities
  - People with End Stage Renal Disease (ESRD)

Medicare: The Basics

What is Medicare?

Medicare is a federal health insurance program for people aged 65 and older, younger people with disabilities, and those with End-Stage Renal Disease or ALS.

How many people does it cover?



What does Medicare cover?

A **Part A:** Covers inpatient hospital stays, skilled nursing facilities, hospice care, and some home health care. Most people pay no premium.

B **Part B**: Covers certain doctors' services, outpatient care, medical supplies, and preventive services with 20% cost sharing and monthly premiums.

C **Part C**: Known as Medicare Advantage. Traditional Medicare benefits (plus Part D typically) offered by private insurers and often includes additional benefits.

D **Part D:** Covers prescription drugs. Offered by private insurers with cost sharing and monthly premiums.

Source: Centers for Medicare and Medicaid Services, Program Statistics, 1965–2019, and Congressional Budget Office, Medicare Baseline, July 2021.

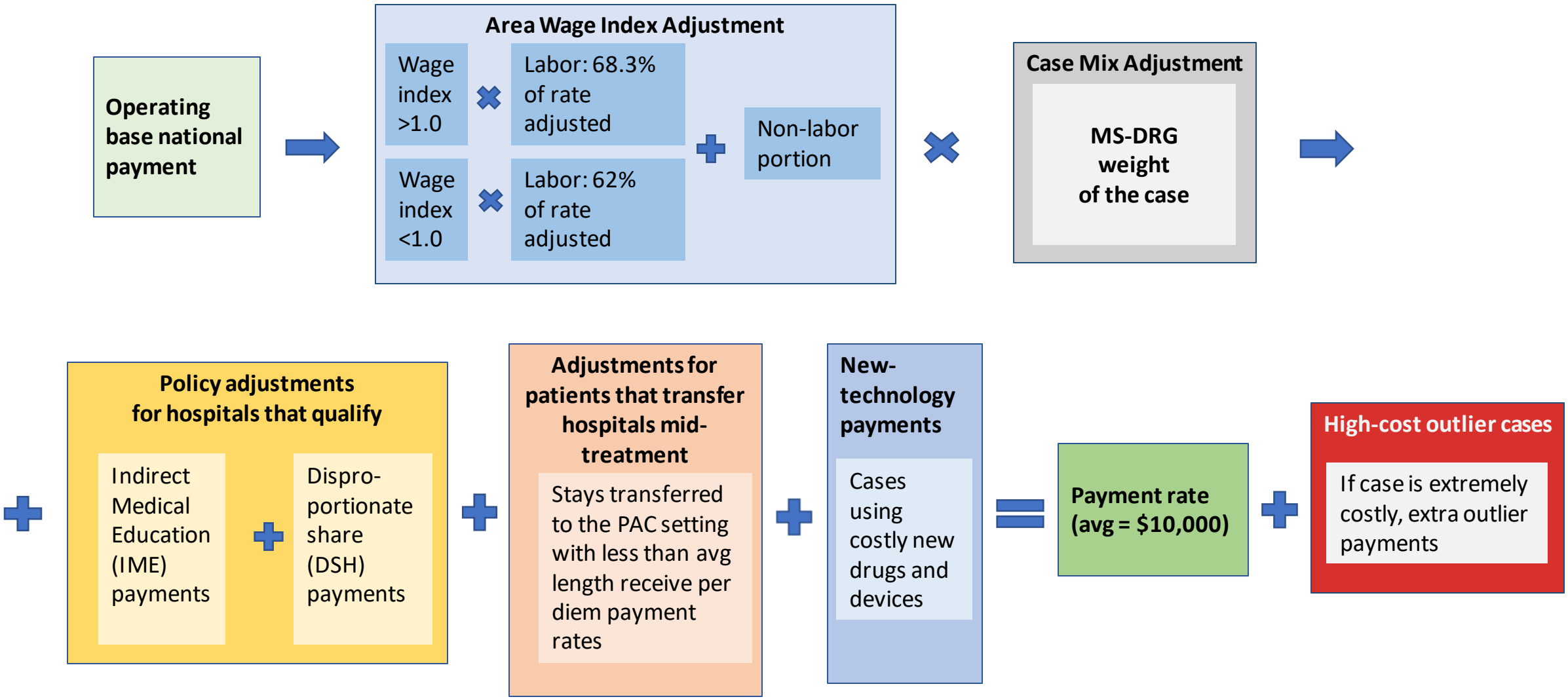
PROSPECTIVE PAYMENT SYSTEMS (PPS) – PART A

Inpatient Hospitals (IPPS)

- Established 1983 to help control costs, first PPS
- 2021 total spending more than $100 billion to more than 3000 IPPS hospitals
- 761 Medicare Severity Diagnosis-Related Groups (MS-DRGs) Payment rates prospectively set for inpatient stays based on the patient's diagnoses and any services performed.
- Hospitals can receive adjustments to payments based on
  - readmissions,
  - hospital acquired conditions and
  - value based purchasing program.
- Also have payments for uncompensated care to Disproportionate Share Hospitals and Graduate Medical Education
- Geographic Adjustments to rates
- New Technology Add on Payments (NTAP)
- Payments updated annually by market basket formula

- 1,300 short-term acute care hospitals receive cost-based reimbursement from Medicare, not the IPPS

IPPS operating payment calculation and the various adjustments and add-on payments



PROSPECTIVE PAYMENT SYSTEMS (PPS) – PART B

Outpatient Hospitals (OPPS)

- Established 2001
- 2021 total spending more than $60 billion to more than 3600 OPPS hospitals
- Services classified in to 364 Ambulatory Payment Classifications (APCs) on basis of cost and clinical similarity
- Wide range of services in outpatient departments – surgical, emergency department, clinic visits, observation, etc
- Pass-through payments for new technology
- Payments updated annually by market basket formula
- Adjustments for geographic locations
- Interest in achieving site neutrality across OPPS, ASC and physician office settings

PROSPECTIVE PAYMENT SYSTEMS (PPS) – PART A

Skilled Nursing Facilities (SNF)

- PPS Established in 2008
- Law requires a per diem PPS that covers all costs (routine, ancillary and capital) furnished to Medicare beneficiaries in a Part A covered stay.
- Payments are case mix adjusted to reflect relative resource intensity given the patient's condition
- Geographic Adjustments to rates based on hospital wage index
- Payments updated annually by market basket formula
- SNF Value based purchasing program

- Other considerations
  - Generally need a 3 day hospital stay to access SNF care
  - $0 coinsurance for first 20 days, days 21-100 $194.50 per day coinsurance, day 100+ no Medicare coverage

PHYSICIAN FEE SCHEDULE

- Established 1992 – Relative Value Based Relative Value Scale (RVRBS)
- 2021 total spending more than $70 billion to more than 1 million practitioners for 1000s of different services
- Rates are based on Relative Values Units (RVUs) for
  - physician work (54%)
  - practice expense (41%)
  - Malpractice (5%)
- Rates are geographically adjusted using Geographic Practice Cost Index (GPCI)
- RVUS are multiplied by conversion factor to establish payment rate
- No automatic payment adjustment for inflation,
- Rate adjusted depending if service is provided in physician office or other facility setting
- Merit-based Incentive Payment System (MIPS) – consolidated quality reporting programs- penalties and bonuses available

Medicare Physician Fee Schedule Services are Provided by Many Types of Professionals in Any Setting

Health Professionals	Settings
• Physicians • Nurse practitioners • Physician assistants • Physical therapists • Chiropractors • Psychologists • Clinical social workers • Registered dietitians • Etc.	• Physician offices • Hospitals • ASCs • SNFs • Hospices • Dialysis facilities • Clinical labs • Patients' homes • Etc.

Select Other Medicare Payment Systems

Home Health

- 30 Day episode of care, adjusted for case mix and geography
- Must meet certain eligibility requirements

Hospice

Daily payment rate to cover items and services necessary to manage the terminal illness and related conditions

Services can be provided in the home or inpatient setting

Select Other Medicare Payment Systems

Ambulance Services

- Medicare will pay for ground ambulance transportation when traveling in another vehicle is not safe and beneficiary needs services from a hospital, skilled nursing facility or critical access hospital . Air ambulance covered in certain situations.
- Payment rates through fee schedule base rate+ mileage

Part B Drugs

- Average Sales Price (ASP) methodology Medicare pays 95R% ASP
- Rapid growth in spending and many new products coming to market

Durable Medical Equipment

Competitive bidding in geographic areas for certain products

Other products paid off fee schedule

CMS Innovation Center and Value Based Payments

The Affordable Care Act created the Center for Medicare and Medicaid Innovation (CMMI) to test alternative payment models.

- **Broad authority to test Medicare and Medicaid models. Can waive certain provisions of law to implement models. If models are determined to be successful, the Secretary has authority to expand the model.**
- **CMMI portfolio has focused on certain model approaches**
  - **Accountable Care Organizations/population health (Pioneer, Next Gen ACO, ACO REACH)**
  - **Bundled or episodic payments (BPCI, BPCIA, CJR)**
  - **Primary Care improvement (CPC, CPC+, PCF)**
  - **State Based initiatives (Maryland Total Cost of Care, Vermont All Payer, Pennsylvania Rural Health Model)**
  - **Health Conditions – ESRD (CEC, KCC, ETC), oncology (OCM)**
- **To date 4 models have met the expansion criteria**
  - **Pioneer ACO**
  - **Diabetes Prevention Program**
  - **Home Health Value Based Purchasing**
  - **Repetitive, Scheduled Non-Emergent Ambulance Transport (RSNAT)**
- **The Quality Payment Program incentivizes physicians to participate in certain CMMI models.**

New CMS Innovation Center Strategy

Building on lessons learned to date, CMMI looks to set the stage for future model tests and engagement with other payers and partners to support a system wide movement to value based payment

- Drive accountable care that results in all Medicare enrollees and "the vast majority of Medicaid beneficiaries [will be] in a care relationship with accountability for quality and total cost of care by 2030."
- Embed health equity in all models through mandatory reporting of demographic and, as appropriate, social determinants of health data, and including underserved populations and safety net providers in new models.
- Support innovation by strengthening patient engagement and person-centered measures across all models.
- Facilitate approaches and specific targets that address price and affordability for high-value care, including new approaches to cost-sharing and drug prices.
- Pursue more collaborative and ongoing partnerships with a broader group of stakeholders to improve quality, achieve equitable outcomes and reduce health care costs, and allow for multi-payer alignment in new models by 2030.

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TAKE OUR SURVEY

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www.allhealthpolicy.org

THE FUTURE OF MEDICARE SERIES

MAY 6, 2022 | 10:30 – 11:00 am ET

Session #2: Understanding the Medicare Population and Consumer Affordability

MAY 20, 2022 | 10:30 – 11:00 am ET

Session #3: Policy Options to Improve Medicare Sustainability

https://www.allhealthpolicy.org/content/the-future-of-medicare-series/

THANK YOU FOR ATTENDING!

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