Medicare Payment Advisory Commission Public Meeting Summary
April 7, 2016

On April 7, 2016 the Medicare Payment Advisory Commission (MedPAC) voted to submit its prototype unified cross-setting post-acute payment system (U-PAC) prototype report to Congress in June 2016. To view the Commission slides, click here. The overarching goal of the prototype proposal is to arrive at a single patient characteristic-based payment system. The existing site specific payment systems would be phased out.

Background
The MedPAC report is the first of three PAC payment reform reports statutorily mandated by the Improving Medicare Post-Acute Care Transformation (IMPACT) Act of 2014. The initial MedPAC report is intended to lay the foundation for more detailed DHHS U-PAC.

In response to the June 2016 report, DHHS is required to submit a second IMPACT Act-mandated report based upon the initial MedPAC report to Congress regarding alternative models for a PAC provider payment system. The DHHS report, which would be much more detailed, must include:

- Recommendations on – and a technical prototype of – a PAC prospective payment system that would:
  - Base payments on individual characteristics of the patient as opposed to the PAC setting;
  - Account for clinical appropriateness of items and services provided and the beneficiary outcomes;
  - Incorporate standardized patient assessment data received under prior sections of the IMPACT Act; and
  - Further clinical integration.

- Recommendations on which Medicare fee-for-service regulations for PAC payment systems should be altered.

- An analysis of the impact of the recommended payment system on beneficiary cost-sharing, access to care, and choice of setting.

- A projection of any potential reduction in expenditures that may be attributable to the application of the recommended payment system.

- A review of the value of subsection (d) hospitals collecting and reporting to the Secretary standardized patient assessment data for inpatient hospital services furnished by such a hospital to Medicare beneficiaries.
The second report must be submitted no later than two years after DHHS has collected two years of PAC quality and resource measurement data, approximately by 2022. The third and final report is due to Congress no later than the first June 30 following DHHS’ 2022 report. The final report, likely due in 2023, must include recommendations and a technical prototype for a PAC prospective payment system with sufficient detail to address the required elements above.

**MedPAC Proposal**

During the April 7 session, MedPAC staff reviewed the current policy, which is composed for four separate, setting-specific payment systems (e.g., IRF, LTACH, SNF, HH) that pay based upon patient characteristics. Specifically, the concept is intended address concerns with the existing prospective payment systems (PPS) by encouraging therapy and nursing care based upon patient characteristics.

When fully implemented, as envisioned by MedPAC, U-PAC PPS would span the four settings, be based upon patient characteristics. In the presentation, MedPAC staff revisited previous payment system components below.

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*Click on hyperlinks for more detail*

For an overview of the payment policy components, click [here](#) to view AHCA’s March 4 summary.

**Discussion Highlights**

In addition to endorsing the work, Commissioners lauded the effort as a long-needed framework to transform post-acute care. In terms of specific comments, Commissioner input was much like their March discussion.

1. **Accelerate Development and Implementation.** They emphasized the need for MedPAC to accelerate U-PAC development. While the notion of using the Center for Medicare and Medicaid Innovation’s demonstration waiver was not discussed as in March, MedPAC staff assured Commissioners the report language would be strengthened to emphasize the need for a far accelerated timeline than 2023. One Commissioner, Dr. Kathy Buto, asked if CMS still could make MedPAC recommended changes to the existing PPS and still implement U-PAC sooner.

MedPAC staff indicated that the available administrative data is reliable enough to make recommended changes to the current PPS, including SNF recommended changes, and still arrive at a final U-PAC proposal sooner than 2023. Additionally, beginning in 2017, MedPAC annually will discuss in its reports strategies for accelerating U-PAC or implementing components of U-PAC sooner. MedPAC staff also noted that even smaller, low volume providers should be able to adapt as long as regulatory relief (see below) is implemented concurrently with the new payment system.
2. **Value-Based Purchasing.** Value-based purchasing (VBP) is discussed as one of an array of companion policies aimed at “dampening [fee-for-service] FFS incentives.” In November, Commission staff noted that VBP would reward high quality and ensure episode efficiency. During the April 7 meeting, MedPAC staff discussed readmissions and Medicare Spending Per Beneficiary measures, both of which are IMPACT Act quality reporting measures. Commissioners asked that change in function and care coordination be added as part of value-based purchasing policy.

3. **Regulatory Requirement Changes.** As noted above, the goal of the MedPAC prototype payment system is to replace the existing site or provider type specific payment systems with a single patient characteristic-based payment system. MedPAC staff further elaborated upon now regulatory changes might be implemented to support a patient characteristic-based PPS. In the short term, MedPAC indicated waiving Inpatient Rehabilitation (IRF) requirements, such as therapy and physician hours, included in their site neutral proposal. Staff also noted short term waivers for Long-Term Acute Care Hospitals, specifically staff noted waiving the 25-day average-length-of-stay (ALOS) requirement. Commissioners discussed the feasibility of waiving the skilled nursing center three-day stay requirement. MedPAC staff noted they would explore possible inclusion of a recommendation that the DHHS research the feasibility of a short-term three-day stay waiver. In the long-term, site or provider specific conditions (or for skilled nursing centers, requirements) of participation would be eliminated. Rather, MedPAC envisions Requirements of Participation associated with delivering care to specific types of patients in keeping with a patient characteristic-based payment system.

4. **Transition to U-PAC.** MedPAC staff reviewed key transition implementation issues including: a) level of payment relative to cost; b) period needed to transition from setting-based payments to U-PAC PPS; and c) the feasibility of implementing U-PAC sooner based upon administrative data and refining U-PAC when patient assessment information becomes available. As noted above, Commissioners were keenly interested in accelerating implementation. Staff noted that current payment system administrative data appears to predict performance and behavior well which would make implementation at an earlier date feasible. Commissioners also asked about that the report include notation that providers have the ability to go directly to a U-PAC payment environment rather than go through a transition period.

The notion of a third party post-acute care benefit manager was not discussed. Of note, Commissioners did introduce the notion of discussing Medicare-coverage of post-acute care in light of the aging demographic and changes in practices through the lens of the U-PAC discussions in coming years.