

Policy in Clinical Practice: Choosing Post-Acute Care in the New Decade

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Nearly half of hospitalized Medicare patients in 2018 were discharged to post-acute care (PAC), accounting for approximately \$60 billion in annual spending. There are four PAC settings, and these vary in the intensity and complexity of medical, skilled nursing, and rehabilitative services provided; each setting uses a separate payment system. Due to considerable variation in PAC use, with concerns that similar patients can be treated in different PAC settings, the Centers for Medicare & Medicaid Services (CMS) recently introduced several major policy changes. For home

health agencies (HHAs) and skilled nursing facilities (SNFs), CMS implemented new payment models to better align payment with patients' care needs rather than the provision of rehabilitation. For long-term acute care hospitals, CMS will now decrease payment for less medically ill patients. To choose PAC wisely, hospitalists and hospital leaders must understand how these new policies will change where patients can be discharged and the services these patients receive at these PAC settings. *Journal of Hospital Medicine* 2021;16:XXX-XXX. © 2021 Society of Hospital Medicine

CLINICAL SCENARIO

A 70-year-old woman with Medicare insurance and a history of mild dementia and chronic bronchiectasis was hospitalized for acute respiratory failure due to influenza. She was treated in the intensive care unit (ICU) for 2 days, received mechanical ventilation, and was subsequently extubated and weaned to high-flow nasal cannula (HFNC) at 8 liters of oxygen per minute and noninvasive ventilation at bedtime. She had otherwise stable cognition and required no other medical or nursing therapies. For recovery, she was referred to a skilled nursing facility (SNF) for respiratory support and rehabilitation but was declined due to HFNC use, noninvasive ventilation, and mild dementia. Instead, she was transferred to a long-term acute care hospital (LTACH) for respiratory support. In the context of major post-acute care (PAC) policy changes, where should—and could—this patient go to recover after hospitalization?

BACKGROUND AND HISTORY

In 2018, 44% of hospitalized patients with fee-for-service Medicare (herein referred to as Medicare) were discharged to PAC, accounting for nearly \$60 billion in annual Medicare spending.¹ PAC includes four levels of care—home health agencies (HHAs), SNFs, inpatient rehabilitation facilities (IRFs), and LTACHs—which vary in intensity and complexity of the medical, skilled nursing, and rehabilitative services they provide; use separate

reimbursement systems; employ different quality metrics; and have different regulatory requirements (Table 1). Because hospitalists care for the majority of these patients and commonly serve in leadership roles for transitions of care and PAC use, PAC policy is important, as it has direct implications on discharge patterns and the quality and nature of patient care after discharge.

HHAs, the most commonly used PAC setting, provide skilled nursing or therapy to homebound beneficiaries.¹ HHAs were historically reimbursed a standardized 60-day episode payment based on casemix, which was highly dependent on the number of therapy visits provided, with extremely little contribution from nontherapy services, such as skilled nursing and home health aide visits.²

SNFs, which comprise nearly half of PAC spending, provide short-term skilled nursing and rehabilitative services following hospitalization. SNFs are reimbursed on a per diem basis by Medicare, with reimbursement historically determined by the intensity of the dominant service furnished to the patient—either nursing, ancillary care (which includes medications, supplies/equipment, and diagnostic testing), or rehabilitation.³ Due to strong financial incentives, payment for more than 90% of SNF days was based solely on rehabilitation therapy furnished, with 33% of SNF patients receiving ultra-high rehabilitation (>720 minutes/week),³ even if it was not considered beneficial or within the patient's goals of care.⁴

IRFs provide intensive rehabilitation to patients who are able to participate in at least 3 hours of multidisciplinary therapy per day.¹ IRF admissions are paid a bundled rate by Medicare based on the patient's primary reason for rehabilitation, their age, and their level of functioning and cognition.

LTACHs, the most intensive and expensive PAC setting, care for patients with a range of complex hospital-level care needs, including intravenous (IV) infusions, complex wound care, and

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Received: September 16, 2020; Revised: November 16, 2020;

Accepted: November 23, 2020

© 2021 Society of Hospital Medicine DOI 10.12788/jhm.3577

TABLE 1. Definition of Post-Acute Care Settings and New Major Policies Affecting Medicare Payment

Setting	Definition	New Medicare Policy
HHA	Provides intermittent or part-time (<8 hours per day) skilled nursing, therapy, aide services, and medical social worker services to homebound patients who generally do not leave their home except for medical appointments, religious services, or other minor outings. HHAs do not provide meal delivery or preparation, nor do they provide personal care (eg, bathing, toileting) or home services (eg, cleaning, laundry) if this is the only care provided.	PDGM: A new casemix payment system, PDGM eliminates the number of visits for rehabilitation therapy as a determinant of HHA payment, and instead considers clinical diagnosis and other patient factors, including functional impairment, cognitive status, comorbidities, referral source (community vs institution), and timing (first 30-day period vs subsequent 30-day periods).
SNF	Provides short-term (up to 100 days) skilled nursing care and rehabilitation therapy to patients recovering after a qualifying hospitalization of typically 3 or more days. SNFs do not provide personal care (eg, bathing, dressing) if this is the only type of care required. Most SNFs are dually certified as nursing homes, which provide long-term care services (eg, personal care) that are typically paid by Medicaid but not by Medicare.	PDPM: In a substantial change to the SNF payment system, PDPM eliminates tying payment to total minutes of rehabilitation therapy and instead considers many aspects of a patient's condition and care needs, including nursing and ancillary care, such as wound care, intravenous medication infusions, and respiratory support.
IRF	Provides intensive rehabilitation to patients who need at least two therapy modalities and are able to participate in at least 3 hours of multidisciplinary therapy a day at least 5 days a week. IRFs generally focus on rehabilitation of patients with stroke, spinal cord injury, certain other neurologic conditions, major trauma, burns, and selected orthopedic conditions.	No new policy enacted.
LTACH	Provides care to patients who have extended inpatient care needs following a hospitalization, with an average length of stay of 25 or more days. Although specializing in the care of patients on prolonged mechanical ventilation, LTACHs provide care for a variety of extended inpatient care needs, including complex wound care, severe infections, and multiorgan failure.	Site-neutral payment: This policy stipulates full LTACH payment for patients who either had a preceding intensive care unit stay of 3 or more days or received prolonged mechanical ventilation (≥96 hours) in the LTACH and are not transferred for a rehabilitation or psychiatric primary diagnosis. LTACH stays not meeting these criteria will receive a substantially reduced payment.

Abbreviations: HHA, home health agency; IRF, inpatient rehabilitation facility; LTACH, long-term acute care hospital; PDGM, Patient-Driven Groupings Model; PDPM, Patient Driven Payment Model; SNF, skilled nursing facility.

respiratory support. Since 2002, the only requirements for LTACHs have been to meet Medicare's requirements for hospital accreditation and maintain an average length of stay of 25 days for their population.⁵ LTACH stays are paid a bundled rate by Medicare based on diagnosis.

POLICIES IN CLINICAL PRACTICE

Due to considerable variation in PAC use, with concerns that similar patients can be treated in different PAC settings,^{6,7} the Centers for Medicare & Medicaid Services (CMS) recently introduced several major policy changes for HHAs, SNFs, and LTACHs (Table 1 and Table 2).¹ No major policy changes were made for IRFs.

For HHAs and SNFs, CMS implemented new payment models to better align payment with patients' care needs rather than the provision of rehabilitation therapy.¹ For SNFs, the Patient Driven Payment Model (PDPM) was implemented October 1, 2019, and for HHAs, the Patient-Driven Groupings Model (PDGM) was implemented January 1, 2020. These policies increase payment for patients who have nursing or ancillary care needs, such as IV medications, wound care, and respiratory support. For example, the per diem payment to SNFs is projected to increase 10% to 30% for patients needing dialysis, IV medications, wound care, and respiratory support, such as tracheostomy care.⁸ These policies also increase payment for patients with greater severity and complexity, such as patients with severe cognitive impairment and multimorbidity. Importantly, these policies pay HHAs and SNFs based on patients' clinical needs and not solely based on the amount of rehabilitation therapy delivered, which could increase both the number and complexity of patients that SNFs accept.

To discourage LTACH use by patients who are unlikely to benefit from this level of care, CMS fully implemented the

site-neutral payment policy on October 1, 2020 (although it is paused during the coronavirus disease 2019 [COVID-19] pandemic), which substantially decreased payment to LTACHs for patients who either did not have an ICU stay of 3 or more days preceding the transfer or did not receive prolonged mechanical ventilation in the LTACH for 96 or more hours.

COMMENTARY AND RECOMMENDATIONS

Historically, PAC payment policy has not properly incentivized the appropriate amount of care to be delivered in the appropriate setting.⁹ The recent HHA, SNF, and LTACH policy changes not only shift the discharge of patients across PAC settings, but also change the amount and type of care that occurs at each PAC site (Table 2). The potential benefit of these new policies is that they will help to align the right level of PAC with patients' needs by discouraging inappropriate use and unnecessary services. Under the new HHA and SNF payment models, initial media reports suggest a decline in therapy services has occurred, which could be beneficial if the therapy was excessive and not indicated.^{4,10,11} Similarly, LTACHs are experiencing a large decline in admissions as fewer patients meet the new payment criteria.¹ As with all policy changes, the potential exists for unintended consequences. Because HHAs and SNFs are no longer incentivized to provide therapy, they might withhold the provision of needed rehabilitation therapy.¹⁰ Furthermore, because payments are based on patient coding by HHA and SNF providers under the new payment models, coding practices may change in order to optimize their payments. Indeed, the PDGM policy for HHAs includes a "behavioral adjustment" to account for anticipated changes in improved documentation by HHAs. Because LTACHs will be less likely to admit patients without prolonged mechanical ventilation or a qualifying ICU stay of 3 or more days, these patients might

TABLE 2. Incentives for Medicare Beneficiaries Before and After Policy Changes by Post-Acute Care Setting

Setting ^a	Incentives Before Policy Change	Incentives After Policy Change	Potential Unintended Consequences Under New Policy
HHA	<p>Patient selection: Patients who have greater rehabilitation needs than nursing or ancillary^b care needs.</p> <p>Duration of services: 60 days because HHAs received standardized payment for all covered services, adjusted for casemix.</p> <p>Referral: Emphasized patients' functional impairments and rehabilitation needs because the number of rehabilitation therapy visits dictated HHA payment.</p>	<p>Patient selection: Greater incentive to accept patients with multimorbidity with greater nursing and ancillary care needs; less incentive for patients with minimal comorbidity burden and those who only require rehabilitation therapy. Greater incentive to enroll hospitalized patients than community-dwelling patients.</p> <p>Duration of services: Either 30 or 60 days. The new policy has split the 60-day episode into two 30-day episodes, with more payment for the first 30 days because more services are used during this time period.</p> <p>Referral: More holistic focus on postdischarge needs, including nonrehabilitation therapy.</p>	<p>Patients may receive less rehabilitation therapy because payment to HHAs is no longer tied to the number of therapy visits.</p> <p>CMS may experience more requests to refer to HHA after hospitalization rather than from outpatient setting, given increased payment if referral originates from a hospital.</p>
SNF	<p>Patient selection: Patients who have greater rehabilitation needs than nursing or ancillary care needs.</p> <p>Duration of services: For SNFs, patients with a qualifying hospital stay and remaining days in the benefit period are covered for the first 20 days, with coinsurance of \$176 per day for days 21-100.</p> <p>Referral: Emphasized patients' functional impairments and rehabilitation needs because the amount of rehabilitation therapy dictated SNF payment.</p>	<p>Patient selection: Greater incentive to accept patients with multimorbidity with greater nursing and ancillary care needs. The per diem reimbursement is projected to increase between 10% and 30% for patients who require dialysis, intravenous medications, wound care, and respiratory support, such as tracheostomy care. There will be less financial incentive to accept patients with minimal comorbidity burden and those who only require rehabilitation therapy.</p> <p>Duration of services: No change.</p> <p>Referral: More holistic focus on postdischarge needs, including nonrehabilitation therapy.</p>	<p>Patients may receive less rehabilitation therapy because payment to SNFs is no longer tied to the number of therapy minutes.</p>
LTACH	<p>Patient selection: "Sick-but-stable" patients needing 3-4 weeks of care that is not too medically complex or costly.</p>	<p>Patient selection: Increased focus on patients needing mechanical ventilation or who have survived a critical care stay of 3 or more days and require 3-4 weeks of hospital-level care.</p>	<p>Patients who have LTACH-level care needs but do not meet the new payment criteria may be inappropriately referred to other PAC settings.</p>

^aNo new major policy changes were made to inpatient rehabilitation facilities.

^bIncludes medications, supplies, equipment, and diagnostic testing.

Abbreviations: CMS, Centers for Medicare & Medicaid Services; HHA, home healthcare agency; LTACH, long-term acute care hospital; PAC, post-acute care; SNF, skilled nursing facility.

remain in the hospital for longer periods of time if they are too sick or their care needs are too complex for other PAC settings. Given these possible unintended consequences, the implications for hospital discharge patterns, PAC access, and quality of care will need to be closely monitored, as it is unclear how these PAC policy changes will impact patient care.

In terms of broader payment reform, the four PAC settings are still fragmented, with little effort to unify payment, regulation, and quality across the PAC continuum. As required by the Improving Medicare Post-Acute Care Transformation (IMPACT) Act of 2014, we would encourage the adoption of a unified PAC payment system that spans the four settings, with payments based on patient characteristics and needs rather than site of service.¹² This type of reform would also harmonize regulation and quality measurement and reward payments across settings. Currently, CMS is standardizing patient assessment data and quality metrics across the four PAC settings. Given the COVID-19 pandemic, the transition to a unified PAC payment system is likely several years away.

WHAT SHOULD I TELL MY PATIENT?

For our patient who was transferred to an LTACH after referrals to SNFs were denied, PAC options now differ following these major PAC policy reforms, and SNF transfer would be an option. This is because SNFs will receive higher payment for providing respiratory support under the PDPM, and LTACHs will receive considerably lower reimbursement because the

patient did not have a qualifying ICU stay or require prolonged mechanical ventilation. Furthermore, hospitals participating in accountable care organizations would achieve greater savings, given that LTACHs cost at least three times as much as SNFs for comparable diagnoses.

Instead of referring this patient to a LTACH, the care team (hospitalist, discharge navigator, and case manager) should inform and educate the patient about discharge options to SNFs for weaning from respiratory support. To help patients and caregivers choose a facility, the discharge planning team should provide data about the quality of SNFs (eg, CMS Star Ratings scores) instead of simply providing a list of names and locations.^{13,14} Discharge planning should start as soon as possible to permit caregivers an opportunity to visit facilities and for the providers to coordinate the transfer as seamlessly as possible.

CONCLUSION

Recent major PAC policy changes will change where hospitals discharge medically complex patients and the services they will receive at these PAC settings. Historically, reduction in PAC use has been a key source for savings in alternative payment models that encourage value over volume, such as accountable care organizations and episode-based ("bundled") payment models.¹⁵ We anticipate these PAC policy changes are a step in the right direction to further enable hospitals to achieve value by more closely aligning PAC incentives with patients' needs.

Disclosures: Dr Makam received travel expenses from the National Association of Long Term Hospitals (NALTH) for an invited presentation in February 2020. Dr Makam has also received a research grant from NALTH. Dr Grabowski received research grants from the National Institute on Aging, the Agency for Healthcare Research and Quality, The Donaghue Foundation, the Warren Alpert Foundation, and the Arnold Foundation. He received personal fees from naviHealth, the Medicare Payment Advisory Commission, Compass Lexecon, Analysis Group, Abt Associates, and the Research Triangle Institute. The authors have no other conflicts of interest to disclose, financial or otherwise.

Funding: Dr Makam was supported by the National Institute on Aging (K23AG052603). The study sponsors had no role in the preparation, review, or approval of this manuscript.

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