Wynne Health Group

MedPAC Summary

September 3, 2020

THE CORONAVIRUS PANDEMIC AND MEDICARE

EXECUTIVE SUMMARY

The Medicare Payment Advisory Commission (MedPAC) convened a session to discuss issues surrounding the uncertainty caused by the COVID-19 pandemic. These issues included the pandemic's effects on beneficiaries and providers in Medicare, as well as eventual effects on costs, access, and providers' financial performance. MedPAC staff noted that these obstacles, and their potential temporary and long-term impacts, are important considerations as the Commissions plans for payment adequacy and other analyses in the March 2021 report.

STAFF PRESENTATION

MedPAC **Principal Policy Analyst Jeff Stensland, Ph.D.**, first began the presentation by speaking about the effect the coronavirus pandemic has had on beneficiaries and their access to health care and service use. He stated that Medicare beneficiaries are at a greater risk of contracting and dying from COVID-19, with 80 percent of COVID-19 related deaths occurred in the 65 and older population, and over 40 percent of deaths taking place in residents of nursing homes and assisted living facilities. Mr. Stensland also highlighted the severe impact the pandemic has had on beneficiary access to care, as many have delayed or completely foregone care due to temporary provider closures or reluctance to risk infection by seeking care.

Due to the circumstances, hospital volume saw a sharp decline in both elective services and admissions in April; however, as depicted on slide 4, MedPAC states that volume was close to fully recovered by June. Next, the presentation addressed the federal grants made to hospitals via the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which were designed to partially replace lost revenue and help cover costs unique to the coronavirus pandemic. MedPAC estimates the bill included $127 billion in grants for health care providers, $92 billion of which went to hospitals. Further, Commission staff estimate that these grants should have been enough to cover 3-5 months of April-level financial losses for most hospitals. However, they caution that this has varied largely from hospital to hospital, with the distribution formula resulting in some hospitals not receiving enough to offset losses, and other hospitals actually netting more revenue than in 2019.

One disparity of note, discussed on slide 7, reveals that some large for-profit hospitals may have actually increased their operating profit margins in Q2 of 2020 by as much as 14 percent. Mr. Stensland explained that, in addition to receiving CARES Act grants, for-profit hospitals have been able to cut operating costs more than non-profit hospitals – by as much as 65 percent, as revealed by a sample study of four large for-profit systems.

The presentation also touched on the impacts of the pandemic on Medicare's various sites of post-acute care (PAC). MedPAC has observed that volume has either rebounded or remained steady in home health agencies (HHAs), rehabilitation facilities, and long-term care hospitals (LTCHs); however, volume in skilled nursing facilities continued to decline through June, and may not recover. Mr. Stensland made note of significantly higher staffing, cleaning and personal protective equipment (PPE) costs incurred by PAC facilities. Interestingly, the MedPAC analysis also concludes that CARES Act assistance received by the nursing home industry in the aggregate is enough to support losses for 8.4 months (vs. the 3-5 months estimated for hospitals). Again though, this varies widely from facility to facility.

Lastly, the presentation addressed the pandemic's financial impact on physicians and other health care professionals, including a sharp decline in fee-for-service office visits paid by Original Medicare starting in March, which has steadily recovered. Clinician revenue also declined, although to a lesser extent due to an increase in telehealth visits.

COMMISSIONER DISCUSSION

Commissioner Pat Wang, J.D., of Healthfirst in New York City, said she hoped that, as the Commission continues this analysis, it would be possible to better understand what CARES Act money flowed to Medicare providers, rather than all providers in the aggregate. She applauded the Medicare system's impressive and quick response to get the money out the door, but stressed the importance of understanding how those grants correlated with geographic areas of high COVID-19 burden. Commissioner Wang also advised the analysts to include more information regarding the impact of Medicare beneficiaries who come from communities of color and minority groups, since there has been a disproportionate impact of COVID-19 on these communities. Lastly, she alluded to potentially lasting changes that the pandemic could establish, even after a vaccine. For example, she noted that if the Commission observes a lasting decline in volume and utilization at certain sites of care, that should factor into their thinking regarding payment adequacy and the impact on alternative sites of care.

Jaewon Ryu, M.D., J.D., of the Geisinger Health System, also expressed interest in the data regarding cost cutting at the sample of non-profit versus for-profit hospitals. He hoped to learn whether the hospitals selected for the comparison were drawn from a similar geographic area that matched the footprint of the virus. He also posited whether the for-profit systems had an underlying difference in payer mix pre-COVID that could account for some of their ability to adapt better than not-for-profits. Next, Dr. Ryu stressed the need to monitor intensity of services as well as volume as we begin to see hospitals recover, which could reveal whether demand will stay steady or whether providers are simply working through a backlog of deferred care. **Commissioner Brian DeBusk, Ph.D.**, also spoke about the remarkable differences revealed between non-profit and for-profit hospitals' ability to shed costs during the national health emergency, and said he hoped they could learn more about what drove the reductions.

Commissioners Karen DeSalvo, M.D., M.P.H., M.Sc. and Larry Casalino, M.D., Ph.D., added that it would be beneficial to understand the experience of providers who were funded by global or capitated payments, as well as looking at the impact of the national health emergency through the lens of private primary care practices which may have been forced to shut down.