

United States Senate Committee on Finance

For Immediate Release

Wednesday, April 12, 2006

Grassley, Baucus, Colleagues Express Concern Over Proposed Payment Changes for Short-term Stays in Long-term Care Hospitals

WASHINGTON – Sen. Chuck Grassley, chairman of the Committee on Finance, Sen. Max Baucus, ranking member, and nine of their fellow committee members are urging the Centers for Medicare and Medicaid Services (CMS) to re-examine its proposed changes on paying for patients who stay for a short time in long-term care hospitals.

“Long-term care hospitals are very expensive for Medicare, and it’s important to make sure payment rates are reasonable and not too high,” Grassley said. “At the same time, it’s important to make sure severely ill patients get the right kind of care in the best setting for them. Since patient criteria are lacking, it seems hard to determine whether the kind of patients in long-term care hospitals are in the right setting. And without adequate patient criteria, it appears premature and potentially detrimental to patient care to arbitrarily cut payments to long-term care hospitals.”

Baucus said, “Long-term care hospitals are growing fast, and CMS should take steps to develop a system of care that makes sense for very ill patients and taxpayers alike. But CMS's proposed rule on goes too far.”

Grassley, Baucus, and their colleagues sent a letter expressing their concerns and urging CMS to develop a more accurate way of determining the criteria for long-term care hospital patients. The text of their letter follows.

April 11, 2006

Via Electronic Transmission
The Honorable Mark McClellan, M.D., Ph.D.
Administrator
Centers for Medicare & Medicaid Services
Department of Health and Human Services
200 Independence Avenue, SW
Washington, DC 20201

Dear Dr. McClellan:

We are writing to express our concern regarding the Centers for Medicare and Medicaid Services (CMS) proposed changes to the Long Term Care Hospital (LTCH) prospective payment system. Taken together, the proposed changes would result in an estimated 14.7 percent decline in Medicare

payments to LTCHs in 2007.

The Federal government has a duty to taxpayers to pay appropriately for the right care in the right setting. LTCHs provide post-acute care to a relatively small number of medically complex patients. The rapid growth in the number of LTCHs and the significant increase in Medicare's spending on these providers have highlighted a need to more closely examine the LTCH payment system, and we are pleased that CMS is doing so.

Yet, CMS has advocated far-reaching changes in LTCH payment policy for the coming year, including significant modifications to the short stay outlier policy. A short stay outlier is defined as a patient whose length of stay is less than or equal to 5/6 of the geometric mean length of stay for the diagnosis-related group (DRG). Currently, payment for short stay cases is the lesser of: 1) the full LTCH DRG payment rate; 2) 120 percent of the LTCH DRG per-diem rate; or 3) 120 percent of the cost of the short stay case. In its rule, CMS proposes to reduce payment in the third category from 120 percent of cost to 100 percent of cost, and to add a new criterion: 4) payment comparable to the acute care hospital inpatient DRG rate.

We are concerned that this proposed short stay policy is too severe. It would affect over a third of LTCH cases, and could pay providers significantly below the reasonable cost of caring for these patients. Patients treated in LTCHs are typically much sicker than those treated in general acute care hospitals, and are thus likely to require more resources. While we share the Agency's concerns about the rapid growth of LTCHs, we do not believe that CMS' rationale for paying short stay cases at the acute care rate is justified by the data.

Additionally, this policy does not address the underlying concern of potentially inappropriate patient admissions to LTCH facilities. We encourage CMS to expeditiously develop for public comment patient and facility criteria to ensure that only appropriate patients are utilizing LTCH services. We support the Medicare Payment Advisory Commission's recommendations in this area, and would support the development of admission standards and discharge criteria. We urge CMS to continue its efforts to develop a more accurate means of classifying post-acute care patients, and we look forward to working with you to that end.

Thank you for your consideration of these concerns.

Sincerely,

Charles E. Grassley
Chairman
Orrin Hatch
Trent Lott
Rick Santorum
Jim Bunning

Max Baucus
Ranking Member
John D. Rockefeller
John Kerry
Blanche Lincoln
Ron Wyden
Charles Schumer