

Frontier Community Health Integration Project (FCHIP) Demonstration



*Webinar 2: Budget
Neutrality and Savings
Examples*

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FCHIP Demonstration

Housekeeping

Application Information

- Applications must be submitted in a Microsoft Word or PDF format
- Applications must be typed in 12 point font and 1 inch margins
- Applications should not exceed 40 double spaced pages (excluding cover letter, executive summary, forms and supporting documentation)

Application Contents

1. Cover Letter
2. Medicare Waiver Demonstration Applicant Data Sheet
3. Executive Summary
4. Problem Statement
5. Demonstration Design
6. Organizational Structure & Capabilities
7. Performance Results
8. Payment Methodology & Budget Neutrality
9. Demonstration Implementation Plan
10. Supplemental Materials

Authorizing Legislation

Section 123 of the Medicare Improvement for Patients and Providers Act of 2008 requires demonstration projects to be budget neutral:

- “In conducting the demonstration project under this section, the Secretary shall ensure that the aggregate payments made by the Secretary shall not exceed the amount which the Secretary estimates would have been paid if the demonstration project under this section was not implemented.”

FCHIP Demonstration

Scenarios of Budget Neutrality

Telemedicine

Problem

A frontier Critical Access Hospital would like to provide telemedicine services to its patients. However, added staff costs (e.g., administrative time to schedule telemedicine appointments and coordinate with the tertiary provider, and time for the nurse to be present with the patient while participating in a telemedicine consult) and T1 line monthly fee make it prohibitive. As a result, patients coordinate their primary care visits with the tertiary provider and seek all health care services at the tertiary provider, which may increase the overall cost of care for the Medicare beneficiaries.

Opportunity

Providing access to telemedicine services through the CAH will result in fewer hospital admissions and readmissions. In addition, it is anticipated there will be fewer transfers to tertiary providers for patients who are able to remain in their home community and seek specialty care via telemedicine resulting in overall lower health care costs for the beneficiaries.

Ambulance Scenario

Problem

A frontier Critical Access Hospital is within 35 miles of a volunteer ambulance service that only provides basic life support (BLS). Because the CAH is located within 20 miles of this service, it is not eligible to receive cost-based reimbursement for its advance life support (ALS); The CAH is having a difficult time preserving access to ALS ambulance services, due to the high cost of transporting high risk patients and low reimbursement.

Opportunity

The frontier CAH believes that this higher reimbursement will be sufficient with its current volume of patients to maintain ambulance services and preserve the ALS access in its community.

Increasing CAH Bed Limits

Problem

A frontier Critical Access Hospital provides nursing facility level services to an average of 22 patients per month. Because the nearest skilled nursing home is over 50 miles away, the CAH often has a waiting list of five to ten local patients who prefer to receive skilled nursing care in their local community. Prior to its conversion to a 25-bed CAH, the hospital provided care to 40 skilled nursing patients per month. No additional construction is needed to expand the current capacity to 35 beds

Opportunity

The Critical Access Hospital anticipates that the expanded bed capacity will meet the unmet skilled nursing home needs of community members without having to incur any additional construction costs. In addition, this intervention will lower the overall cost/patient by spreading the overhead costs over a larger number of patients.

Home Health Scenario

Problem

A Critical Access Hospital would like to provide home health services to patients in outlying areas. However, the hospital is unable to provide home health services due to insufficient reimbursement to cover travel time of health care professionals, and there is the potential of falling under another hospital's jurisdiction for home health services (although the nearest home health agency is over 60 miles away).

Opportunity

The Critical Access Hospital will be able to provide home health services to help maintain frail, elderly residents in their home post hospitalization and as a means to prevent early admission into long term care. Given the isolation factor and weather challenges, the CAH believes providing home health services would reduce the overall costs of care by decreasing visits to the emergency department, eliminating unnecessary hospitalizations and reducing readmissions.

FCHIP Demonstration

Budget Neutrality

Importance of Budget Neutrality

- Impacts future rural health policymaking
- Ensures Medicare programs are prudent payers of tax payer dollars
- Helps examine and analyze clinical and financial approach to the delivery of certain services

Budget Neutrality

- The analysis must be conducted for each application.
- The analysis should be based on patterns of clinical care for Medicare patients among all providers who provide services to them.
- The analysis can be based on estimates, but must include supporting evidence from historical experience.

Budget Neutrality (cont.)

- The applicant must be a Critical Access Hospital with linkages to community providers.
- Applicants may select any or all of the four intervention prongs (CAH bed expansion, telemedicine, ambulance, home health).
- Applicants must submit a budget neutrality estimate for each one of its selected prongs.
- Applicants must make reasonable assumptions as to the cost of avoided Medicare services (e.g., the cost of a hospital stay).

Budget Neutrality (cont.)

CMS is requesting the following information – for each intervention prong selected:

- Total number of Medicare cases per year
- Total Medicare cost/Medicare cost per case
- Total number or percentage of cases that will be transferred
- Total number or percentage of transfers, hospitalizations or other Medicare costs that will be avoided
- Explanation of avoidance of transfers, hospitalizations, or other Medicare costs
- Estimate of Medicare cost savings

Budget Neutrality (cont.)

Waivers	With Demonstration	Without Demonstration
Telemedicine	<ul style="list-style-type: none"> • Medicare cost of existing services • Costs to Medicare of additional services <ul style="list-style-type: none"> - <i>Cost-based payment for telemedicine originating site <u>minus</u> existing fees</i> - <i>Cost-based ambulance payment <u>minus</u> existing fees</i> - <i>Cost-based payment for additional CAH beds</i> - <i>Per mile payment for home health</i> • Reduction in Medicare costs for transfers to and hospital stays in tertiary facilities 	<ul style="list-style-type: none"> • Medicare cost of existing services • Medicare cost of transfers and hospital stays in tertiary facilities
CAH bed expansion		
Ambulance		
Home Health		

Budget Neutrality: Steps #1, #2, #3

Step #1 - Identify intervention prong

Step #2 - Identify number of Medicare cases affected by each intervention prong

Step #3 - Identify the clinical conditions associated with these cases

Budget Neutrality: Step #4

Step #4 - Determine the Medicare cost associated with the intervention prong

a) Telemedicine:

Cost of the intervention

- Associated Medicare staffing costs

- Associated Medicare overhead costs

Minus Number of affected cases x Medicare originating site facility fee

Budget Neutrality: Step #4 (cont.)

Step #4 (cont.) - Medicare cost of each intervention prong

b) Ambulance:

Cost of staffing, other items

*Minus Number of affected cases x Medicare fee schedule
payment for additional transports*

*c) CAH bed expansion: Additional Medicare cost of
expansion in number of beds*

*d) Home Health: Number of affected cases x Average number of miles
traveled per case x Additional Medicare payment per
mile*

Budget Neutrality: Step #5

Step #5: Determine offsetting savings to Medicare from averted transfers and hospitalizations

For affected cases for each intervention prong:

Number of averted transfers x Medicare cost per transfer

Plus *Number of averted hospitalizations x Medicare cost per hospitalization (DRG payment)*

Budget Neutrality: Step #6

Step #6: Compare amount from step #4 to amount from step #5

Thank you!!

Questions????

Questions

Please direct all questions to:

Steven Johnson

Medicare Demonstrations Program Group

Center for Medicare and Medicaid Innovation

Centers for Medicare & Medicaid Services

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