

Care for the Common Good

Ensuring Access for Medicare Beneficiaries



Trinity Health is one of the largest not-for-profit, Catholic health care systems in the nation, serving diverse communities across 26 states. We advocate for public policies that promote care for the common good and advance our mission, including fair payment, a strong workforce, coverage for all that bridges social care, and total cost of care payment models.

Challenges to Ensure Access to Care Across the Continuum for Medicare Beneficiaries

As a health system, Trinity Health is committed to serving as a critical provider in our communities and coordinating care across settings and the care continuum. The settings in which we serve patients range from acute care to community-based care in the home. Providing coordinated care across settings reduces hospital admissions, improves quality of chronic disease management, and improves patient outcomes.

To maintain access to quality care for Medicare beneficiaries, reimbursement must cover the cost of delivering care. At Trinity Health, 41% of revenue comes from Medicare. Unfortunately, Medicare payment rates have not kept up with the increased costs of delivering care across all settings.

Cost drivers include labor and supply and other inflationary costs, and higher patient acuity. With 18% of our revenue also coming from Medicaid and patients who are uninsured, there is little room to cost-shift Medicare losses to other payers. Consequently, not-for-profit health systems, like Trinity Health, are struggling to keep service lines open to care for our communities.

Medicare Market Basket

The Centers for Medicare and Medicaid Services (CMS) uses market baskets to update payments—and cost limits—across various Medicare fee-for-service payment systems annually. There are several market baskets including, but not limited to, the Hospital Market Basket, Skilled Nursing Facility (SNF) Market Basket and the Home Health Market Basket. CMS uses the market basket to account for changes in the prices of goods and services used by providers in treating Medicare patients.

The market basket is composed of 1) a weighting factor to identify the mix of goods and services used in providing health care; and 2) the input price index for health care services to measure how prices change over time.

Challenges with Medicare Market Basket

Market basket rebased using stale data

CMS rebases the market baskets periodically (generally every four years) to update the quantity and mix of goods and services provided to Medicare beneficiaries. This rebasing is done using Medicare cost reports, which have up to a two-year data lag. For example, the current hospital market basket was rebased in 2022 but relies on Medicare cost reports from 2017 and 2018 to inform the mix of services provided.

Forecast inaccuracies

CMS relies on a market basket forecast to set payments at the beginning of each fiscal year (FY). If the forecast is not correct, hospitals will not receive accurate payments.

In recent years, the data sources used for developing annual payment updates have not accounted for the impact of inflation, nor have they captured the staggering increase in labor costs, including contract labor, which hospitals have experienced since the start of the COVID-19 pandemic. These costs are significant—Trinity Health spent nearly \$770 million in FY22 on contract labor, a 298% increase from pre-pandemic spend. In addition, more than 80% of costs for Home

Increased Costs for Delivering Care

The cost of caring for patients in recent years has been significantly higher than the increases reflected in the annual Medicare payment updates.

Since 2019, Medicare rate increases have totaled 6% while Trinity Health's cost per case has increased 14% including:

- 15% increase in labor costs.
- 17% increase in supply costs.
- 24% increase in drug costs.
- 10% increase in implant costs.

In addition, the average hospital length-of-stay has increased nationally by 19% and the average length-of-stay for patients being discharged to post-acute settings increased by 24% since 2019.

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Health care salaries and benefits. The current Home Health Market Basket methodology underestimates both wage inflation and recruitment/retention costs for this sector. It is critical that CMS enact adjustments to the market baskets that address expenses related to recruitment/retention during times of workforce crisis, including rates that reflect the impact of inflation on wages and benefits.

In its March 2023 report to Congress, the Medicare Payment Advisory Commission (MedPAC) noted that in FY22, the hospital market basket forecast used to set payments was three percentage points lower than the cost increases hospitals actually experienced. This underpayment is one factor leading to significant financial challenges for Trinity Health and other health systems.

What Can Policymakers Do?

- Provide a one-time retrospective adjustment to the market basket to account for what hospitals should have received in 2022 when accounting for inflation.
- Establish a threshold whereby if the payment differential between what was provided and actual costs is greater than 1.5 percentage points, CMS would retroactively adjust payments for that year.
- Rebase the market baskets more frequently and at least every three years to ensure the market basket reflects the appropriate mix of services provided to Medicare beneficiaries.

Continuing Care Payment Cuts

Post-acute care settings, including home health and skilled nursing facilities (SNFs), provide appropriate level care in cost-effective settings, freeing up needed inpatient beds. Unfortunately, Medicare payments do not reflect the increased cost of delivering care in these settings. The patient driven payment model (PDPM) for SNFs is required to be budget neutral, but those rates are based on pre-pandemic levels.

Trinity Health Senior Communities has decreased bed capacity by 32% yet is still struggling to fully staff. The staffing crisis will only be exacerbated as new staffing ratio requirements are expected to be implemented. Similarly, Trinity Health at Home turns away 200 patients per week due to understaffing. Ultimately, delays in post-acute care results in increased hospital length-of-stay, decreased patient satisfaction and increased costs. Average length-of-stay for higher acuity patients increased in 2022 by 19% compared to 2019 and 24% for patients being discharged to post-acute care providers. CMS must address the immediate needs of SNFs to stabilize the industry as it emerges from the pandemic.

What Can Policymakers Do?

- Implement evidence-based reimbursement rates that are sufficient to cover the costs to provide high-quality care and services including supply needs, training, and fair wages for staff.
- Halt staffing ratio requirements as providers and policymakers deal with the critical nursing workforce shortage.
- Reimburse SNFs based on current data and reset the rates to better represent the realities of the post-pandemic economic environment.
- Ensure Medicare Home Health and Hospice Payment Model revisions provide fair and reasonable reimbursement to maintain access to care.

Medicare Base Payment Rates

Further cuts to Medicare reimbursement across payment systems will exacerbate these challenges and will impact patient care and access as health systems will be unable to fully absorb additional payment reductions.

What Can Policymakers Do?

- Make permanent the 20% add-on payment for treating COVID-19 patients.
- Stop additional cuts to Medicare.
- To address rising costs, focus on value-based care models that improve care delivery and patient health by linking payment to quality and outcomes.

Mission

We, Trinity Health, serve together in the spirit of the Gospel as a compassionate and transforming healing presence within our communities.

Core Values

Reverence • Commitment to Those Who Are Poor • Safety • Justice • Stewardship • Integrity