Mandated report on Medicare payment for ambulance services

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- MedPAC directed to study:
  - Appropriateness of temporary ambulance add-on payments
  - Effect of add-on payments on providers' Medicare margins
  - Need to reform ambulance fee schedule, whether add-ons should be built into base rate

- Critical dates:
  - Report due June 15, 2013
  - Add-on payment policies in effect through December 31, 2012
Presentation outline

- Coverage and payment basics
- Updated trends in numbers of providers/suppliers, claims volume, and spending
- Issues resulting from analysis
- Provider costs and Medicare margins
- Program integrity issues
- Policy options

Ambulance coverage policy

- Medicare Part B covered service
  - Medicare pays 80 percent, 20 percent beneficiary coinsurance
- Ambulance services covered if:
  - Transportation of the beneficiary occurs
  - Transportation to a covered location
  - Medical necessity: Other forms of transport contraindicated
  - Provider/supplier meets state licensing requirements
  - Transportation is not part of a Part A covered stay
Ambulance coverage policy (cont.)

- Exceptions in law allow Part B payment for ambulance service during certain Part A-covered stays
  - Example: SNF resident with ESRD to/from dialysis
- Nonemergency transports require written physician certification of medical necessity, unless trip originates at beneficiary residence and are non-recurring

Ambulance fee schedule: Components

- Base payment
  - Relative value units (RVUs)
    - Ground: 7 levels based on service intensity (Air: 1 level)
  - Conversion factor (CF)
    - Ground: $214 / Air—Rotary wing: $3,384 / Air—Fixed wing: $2,911
    - Updated annually by Ambulance Inflation Factor (CPI-U)
  - Geographic adjustment factor (GAF)
    - Uses practice expense GPCI
    - Applied to labor share of rate (ground: 70 percent, air: 50 percent)
    - Tied to ZIP code of patient point of pick-up
- Mileage payment
  - Miles travelled from patient point of pick-up to destination
  - Uniform national mileage rates for ground and air (fixed and rotary wing)

Note: All dollar amounts shown are for 2012.
Example: Ground ALS Level 1-Emergency in Raleigh, NC excluding add-on payments

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Base payment

GAF

Mileage payment

5 miles

$6.89 per mile

Total payment

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Note: ALS (advanced life support), GAF (geographic adjustment factor), GPCI (geographic practice cost index)

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Add-on payment policies in current law

<table>
<thead>
<tr>
<th>Add-on policy</th>
<th>Status</th>
<th>Policy description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ground</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rural short-mileage</td>
<td>Permanent</td>
<td>50 percent increase to mileage rate if mileage is between 1 and 17 miles</td>
</tr>
<tr>
<td>Rural and urban</td>
<td>Temporary*</td>
<td>Rural: 3 percent increase to base rate payment and mileage rate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Urban: 2 percent increase to base rate payment and mileage rate</td>
</tr>
<tr>
<td>Super-rural</td>
<td>Temporary*</td>
<td>22.6 percent increase to base rate payment</td>
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<tr>
<td>Air</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rural</td>
<td>Permanent</td>
<td>50 percent increase to air ambulance base rate payment and mileage rate</td>
</tr>
<tr>
<td>Grandfathered urban areas deemed rural</td>
<td>Temporary*</td>
<td>Maintains rural designation for application of rural air ambulance add-on for areas reclassified as urban by OMB in 2006 (affects over 3,400 ZIP codes)</td>
</tr>
</tbody>
</table>

* In effect through December 31, 2012
Add-on policies account for 7 percent of ambulance payments, 2011

<table>
<thead>
<tr>
<th>Add-on policy</th>
<th>Status</th>
<th>Number of claims receiving add-on payment</th>
<th>Spending (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural short-mileage</td>
<td>Permanent</td>
<td>2,195,986</td>
<td>$42</td>
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<tr>
<td>Rural and urban</td>
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<tr>
<td>Super-rural</td>
<td>Temporary*</td>
<td>547,830</td>
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<td>Air</td>
<td>Permanent</td>
<td>58,532</td>
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<tr>
<td>Grandfathered urban areas deemed rural</td>
<td>Temporary*</td>
<td>8,295</td>
<td>$17</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>15,220,790</td>
<td>$359</td>
</tr>
</tbody>
</table>

* In effect through December 31, 2012

Number of suppliers increased and providers decreased from 2008 to 2011

- Overall suppliers and providers billing Medicare increased 0.8 percent per year
- Providers decreased 4.6 percent per year
- Suppliers increased 1.3 percent per year
  - For-profits increased more than twice as fast as non-profits between 2008 and 2010
- Private equity entered the industry in 2011
Trends in ambulance payments and utilization

- $5.3 billion in payments for 15.2 million claims in 2011
- Payments per FFS beneficiary increased 5.2 percent per year from 2007 to 2011
  - 2.6 percent growth in claims per 100 FFS beneficiaries
  - 2.5 percent growth in payments per claim
- 15 percent of FFS beneficiaries had an ambulance transport in 2011
- Ambulance users had an average of 3 transports per year in 2011

Medicare utilization growth does not indicate ambulance access problems

- 2.6% per year
- 1.3% per year
- 1.5% per year

Source: Medicare Carrier and Outpatient claims files
Growth in ambulance transports from 2007 to 2011

- Ambulance transport volume increased 9.9 percent
- Basic life support (BLS) transports grew faster (10.9 percent) than advanced life support (ALS) transports (8.1 percent)
- BLS nonemergency transports grew faster (11.4 percent) than BLS emergency (9.6 percent)
- BLS nonemergency grew faster in urban areas (12.5 percent) than in rural areas (7.2 percent)
- ALS emergency grew faster in rural areas (11.7 percent) than in urban areas (9.4 percent)

Data are preliminary and subject to change

BLS nonemergency transports are concentrated among certain suppliers

- 16 percent of suppliers and providers focused on BLS nonemergency in 2011
  - Over 90 percent of their transports were BLS nonemergency
  - They accounted for 27 percent of all BLS nonemergency transports
- 1,500 new suppliers entered from 2008 to 2011, many of which focused on BLS nonemergency
  - New suppliers: 65 percent of transports were BLS nonemergency
  - Established suppliers: 41 percent of transports were BLS nonemergency

Data are preliminary and subject to change
Dialysis transports growing rapidly

- Dialysis transports
  - 15 percent of all transports (2.3 million claims)
  - 13 percent of spending ($700 million)
  - Nearly all are BLS nonemergency
  - 20 percent increase in trips between dialysis facilities and any other location (2007 to 2011)
  - 50 percent increase in trips between dialysis facilities and SNF (2007 to 2011)

- Small group of ambulance suppliers and providers concentrate on dialysis transports

Ambulance spending per dialysis beneficiary varies greatly by state, 2009

Source United States Renal Data Systems, 2009, Average ambulance spending by state per beneficiary hemodialysis year

Data are preliminary and subject to change
Ambulance cost analyses to date

- CMS does not collect supplier cost data
  - Transport volume is the key factor affecting costs
  - Low population areas had fewer transports
- 2007 GAO report: Used sample of 2004 costs
  - Costs increased if low-volume, more ALS transports, super-rural transports, receiving local tax support
  - Average Medicare margin estimated at -6%, excluding temporary add-on payments
- MedPAC's closer look at GAO's 2007 report
  - Low-volume threshold likely near 700 transports per year
- GAO's forthcoming report will assess 2010 cost data

HHS OIG finds evidence of fraud & abuse

- 1994 study: 70 percent of dialysis-related transports did not meet coverage requirement
- 1998 study: Two-thirds of all ambulance transports were not medically necessary because alternative transportation was possible
- 2006 study: $402 million in improper payments in 2002 stemming from 25 percent of transports (mainly nonemergency and dialysis transports) not meeting program requirements
- Several specific cases of fraud involving dialysis transports or up-coding
Possible options for temporary ground ambulance add-on policy

- Cost: $134 million in 2011
- Affects all ground ambulance transports
- Use of services increasing, no evidence of access problems
- Margins
  - 2007 GAO study found average margin of −6% without temporary add-ons, but wide confidence interval
  - 2012 GAO study may provide new evidence
- Options: Let it expire (current law) or fold into base

Possible options for temporary super-rural add-on payment policy

- Cost: $41 million in 2011
- Affects over 500,000 transports originating in super rural ZIP codes
- Does not efficiently target low-volume, isolated providers
- Options:
  - Let it expire (current law)
  - Combine with existing permanent rural short-mileage add-on policy—replace both with a better targeted low-volume/isolated area payment policy

Data are preliminary and subject to change
Possible options for temporary air ambulance add-on payment policy

- Cost: $17 million in 2011
- Affects about 8,000 air transports originating in urban counties
- Provides 50 percent add-on payment for urban ZIP codes previously designated rural
- Was justified as transitional policy
- Has been in place for four years
- Options: Let it expire (current law) or retain

Policy options for dialysis transports

- Issue: Nonemergency dialysis-related transports
  - Growing rapidly
  - Highly variable by state
  - Rapid entry of for-profit suppliers focused on this service
- Option: Direct the Secretary to review unusual patterns of use and implement safeguards
  - Has authority to restrict new entry and re-enroll providers
  - Could enhance physician certification or conduct medical necessity reviews
  - May need statutory authority for prior authorization
- Should Medicare pay for nonemergency ambulance transportation to/from dialysis?
Policy option for rebalancing RVUs

- Issue: Growth in BLS nonemergency transports
  - Growing rapidly
  - Suppliers focused on these transports
- Option: CMS could identify overvalued services
  - Eventually, gather cost data then rebase
  - In interim, reduce RVU for BLS nonemergency transports by set percentage

Discussion

- Questions on content
- Reaction to policy options?
  - Temporary ground ambulance
  - Temporary super-rural
  - Temporary air ambulance
  - Dialysis transports
  - Rebalancing RVUs