



**American Hospital
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September 2, 2014

Marilyn B. Tavenner
Administrator
Centers for Medicare & Medicaid Services
Department of Health and Human Services
Attention: CMS-1613-P
P.O. Box 8013
Baltimore, MD 21244-1850

RE: CMS-1613-P, Hospital Outpatient Prospective Payment and Ambulatory Surgical Center Payment Systems and Quality Reporting Programs; (Vol. 79, No.134), July 14, 2014.

Dear Ms. Tavenner:

On behalf of our nearly 5,000 member hospitals, health systems and other health care organizations, and our 43,000 individual members, the American Hospital Association (AHA) appreciates the opportunity to comment on the Centers for Medicare & Medicaid Services' (CMS) proposed partial hospitalization program (PHP) policies and payments contained in the calendar year (CY) 2015 hospital outpatient prospective payment system (PPS) proposed rule.

Partial hospitalization is an intensive outpatient psychiatric program, provided as an alternative to inpatient psychiatric care, to patients who have an acute mental illness. Since the late-1980s, when Congress authorized a hospital-based partial hospitalization benefit, these programs have helped stabilize the lives of mentally ill Medicare beneficiaries. PHPs, which deliver intensive psychiatric treatment four to seven days per week, are cost-effective in that they allow this beneficiary population to remain in outpatient levels of care rather than being admitted to higher-cost inpatient settings. However, inadequate access to appropriate PHP services results in increased in emergency department (ED) crowding and increased readmissions.

We are concerned that the proposed CY 2015 reduction in the per-diem payments for hospital-based and community mental health center (CMHC) PHP services will have a serious negative effect on Medicare beneficiary access to the PHP and, therefore, the AHA recommends that CMS set the payment rates for CY 2015 at the CY 2014 rates. The proposed rates for hospital-based PHP services, APC 0175, Level I PHP days with 3 services, would fall 11 percent to \$169.36 and APC 0176, Level II PHP days with 4 or more services, would fall 15 percent to \$181.66. The proposed rates for CMHC PHP services, APC



0712, Level I PHP days with 3 services, would fall 6 percent to \$93.06 and APC 0713, Level II PHP days with 4 or more services, would decline by 2 percent to \$109.77.

These reductions in the PHP rates, a continuation of a decade-long period of payment instability for hospital-based and CMHC PHP services, place Medicare beneficiaries at risk. Large annual variations in payment rates make it difficult for providers to budget and plan, and can affect patient access as hospitals and CMHCs consider whether they can continue providing these services.

Given the importance of the partial hospitalization benefit for Medicare beneficiaries, it is crucial to determine what is causing this instability in PHP payment rates. **The AHA is dedicated to working with CMS to better understand these issues and to identify ways to stabilize the PHP benefit so that patients with mental illness can continue to access these important outpatient services.**

In the proposed rule, CMS invites public comment on what may be causing PHP costs to fluctuate from year to year. To better answer this question, the AHA and the National Association of Psychiatric Health Systems (NAPHS) contracted with Dobson/DaVanzo to analyze the most recently available years of Medicare PHP data, CYs 2010 to 2013. We have attached a set of slides that display the results of this analysis. According to the analysis, provider-driven factors, such as the mix of services (slides 22 to 27) and the patient population (slides 16 to 21) do not appear to be the causes of the payment instability.

However, the analysis reveals dramatic changes in the volume of Medicare PHP services, service locations (CMHC versus hospitals) and the number of providers furnishing PHP services. The overall volume of Medicare PHP days of service declined 60 percent between CYs 2010 and 2013; falling from approximately 1.7 million in 2010 to 661,000 in 2013 (slide 9).

Concurrently, PHP service volume shifted sharply away from CMHCs towards hospital-based PHPs. CMHC volume declined 89 percent over these four years, falling from approximately 1.3 million days in 2010 to 145,000 days in 2013 (slide 10). This included a 63 percent decline in CMHC Level I services (APC 0172) and a 90 percent decline in CMHC Level II services (APC 0173). During this period, the number of CMHCs offering Medicare PHP services decreased 62 percent, with the number of providers dropping from 203 to 77 (slide 15). The AHA believes that this steep decline in CMHC PHP days of service and number of providers is a result of the increased scrutiny from CMS regarding CMHC activities and payments, including allegations of fraud, as well as the reduction in Medicare rates and payment instability for CMHC partial hospitalization services over time.

While overall PHP volume declined 60 percent, the volume of hospital-based PHP services increased 52 percent during the same period, rising from approximately 339,000 days of service in 2010 to 516,000 days in 2013 (slide 10). This increase helped offset some of the major decline in CMHC services. The majority of the hospital-based volume increase was in the highest intensity services; PHP Level II days with four or more services (APC 0176)

increased 66 percent during this period. By contrast, hospital Level I days with three services (APC 0175) decreased by about 4 percent.

This growth in the highest intensity Level II services, despite unstable payments, is a hallmark of the hospital-based PHP program and demonstrates hospitals' commitment to achieving CMS's goals for PHP. CMS has repeatedly stated that PHP is intended to meet the highest acuity needs of Medicare beneficiaries. The agency notes that Level I PHP was never intended to be the norm.

However, our analysis also shows that access to hospital-based services is leveling off, in direct correlation to the decrease in PHP rates. The total number of hospital-based PHP days fell slightly from 534,000 in CY 2012 to 516,000 in CY 2014 (slide 10). **We are concerned that the CY 2015 proposed 15 percent rate reduction for Level II services in hospitals will be a tipping point, dropping payments so far below costs that hospital-based programs may consider closing.**

The AHA believes that historic trends and proposed further cuts in CY 2015 rates create a serious access challenge for Medicare beneficiaries. As our analysis shows, in recent years, both the number of PHP providers and the volume of PHP service have declined precipitously, forcing Medicare beneficiaries to face a significant access issue because appropriate alternative types of services may not be available. When partial hospitalization is inaccessible, the only alternatives may be inpatient hospitalization, which is costly and in short supply, or outpatient care, which may not meet the needs of the beneficiary.

Lack of access to partial hospitalization is a serious problem because Medicare does not cover a wide range of services less intensive than inpatient hospitalization. The PHP benefit is drawn very narrowly so as to cover care only for the most acutely ill patients who would otherwise require hospitalization. The parts of the continuum missing from the current Medicare benefit include formal coverage of intensive outpatient care, residential treatment, psychosocial rehabilitation and care management. This makes it difficult for providers to provide Medicare beneficiaries with mental health services at the right level and time. Without access to PHP services, patients' conditions deteriorate, leading to ED visits and hospitalizations. Indeed, Healthcare Research and Quality Cost and Utilization Project (HCUP) data show that there has been a steady increase in Medicare patients with psychiatric diagnoses presenting to EDs. Moreover, ED visits for patients diagnosed with mood disorders and schizophrenia, the top two diagnosis categories for PHP, also are increasing.

Therefore, in order to ensure continued beneficiary access to PHP services, the AHA recommends that CMS set the payment rates for CY 2015 at the CY 2014 rate. We believe that freezing rates will help stabilize access to these critical services and give CMS sufficient time to evaluate what is driving the drop in median costs, assess the implications for access to care and determine whether any changes, legislative or regulatory, need to be made to PHP and to the entire Medicare mental health benefit.

Marilyn B. Tavenner
September 2, 2014
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The AHA remains committed to working with CMS to explore options to ensure that access to hospital-based PHP services does not erode any further. Thank you again for the opportunity to comment. If you have any questions, please contact me or Roslyne Schulman, director for policy development, at (202) 626-2273 or rschulman@aha.org.

Sincerely,

/s/

Linda E. Fishman
Senior Vice President
Public Policy Analysis & Development

Attachment

An Analysis of CY 2015 Notice of Proposed Rule Making for Partial Hospitalization

PREPARED BY:

Steven E. Heath, M.P.A., Joan E. DaVanzo, Ph.D., M.S.W. , Al Dobson, Ph.D.

PRESENTED TO:

National Association Psychiatric Health Systems and the American Hospital Association

September 2, 2014

Dobson | DaVanzo

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Presentation Overview

- **Summary**
- **Ambulatory Payment Classification (APC) for Partial Hospitalization Program (PHP)**
- **Payment Rates and Medicare Utilization of PHP**
- **Number of Providers**
- **Primary Diagnosis**
- **Revenue Centers**

Summary

- **The Medicare payment rates for PHP for mental illness have decreased in recent years, and another cut is being proposed for 2015**
- **There has been a reduction in the availability of PHP to patients in need of this level of care**
- **The Medicare claims data upon which CMS bases its payment rates do not show marked change in the mix of diagnoses for partial hospitalization patients between 2010 and 2013**
- **Additionally, the pattern of how services (within revenues centers) are reported has not changed substantially between 2010 and 2013**
- **The trend analyses indicate that PHP services increased during 2003 to 2009, and have decreased since 2009**
- **An unpredictable Medicare payment is causing an unstable supply response from providers which could affect patient access to PHP services**

*Ambulatory Payment
Classifications (APCs) for Partial
Hospitalization Program (PHP)*

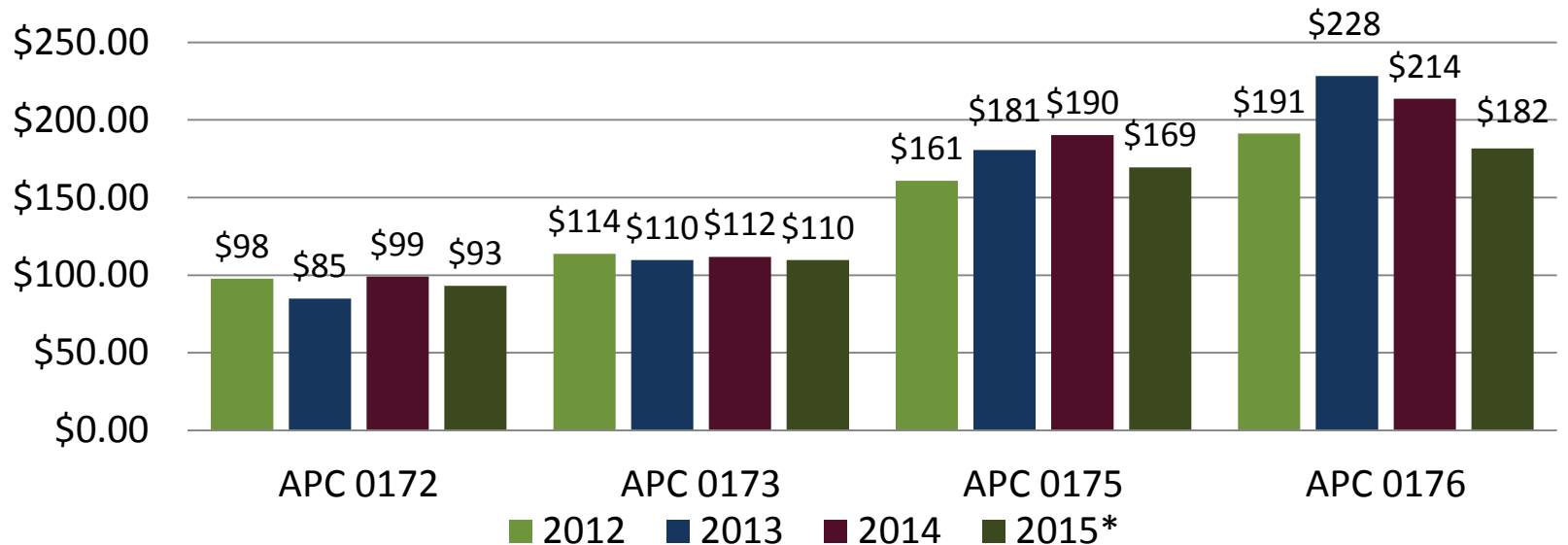
Medicare Partial Hospitalization Program

- **CMS pays for partial hospitalization using 4 APCs that are split by site (CMHC or Hospital) and Level of Service**
 - 0172 : Level I Partial Hospitalization (3 Services) for CMHCs
 - 0173 : Level II Partial Hospitalization (4 Services) for CMHCs
 - 0175 : Level I Partial Hospitalization (3 Services) for Hospitals
 - 0176 : Level II Partial Hospitalization (4 Services) for Hospitals
- **Both Level 1 and Level 2 PHP require 1 psychotherapy service as part of the total number of required services**

Payment Rates and Medicare Utilization of PHP

Medicare Payment Rates for Partial Hospitalization

- Over time there has been a slight decrease in the payment rate for CMHC claims (APC 0172 and APC 0173)
- Recently there has been a more significant decrease in the amount paid for hospital claims (APC 0175 and APC 0176)
 - An 11% cut is proposed between 2014 and 2015 for APC 0175 and APC 0176



Source: Dobson | DaVanzo analysis of CMS OPPS PHP claims data 2010 through 2013.

* 2015 rates are proposed.

Historic Difference Between CMS Calculated Geometric Mean and Payment Rate

- The 4.5 percent difference between the calculated geometric mean and the proposed payment rate is the largest decrease in recent years
- The proposed reduction is the same for all APCs

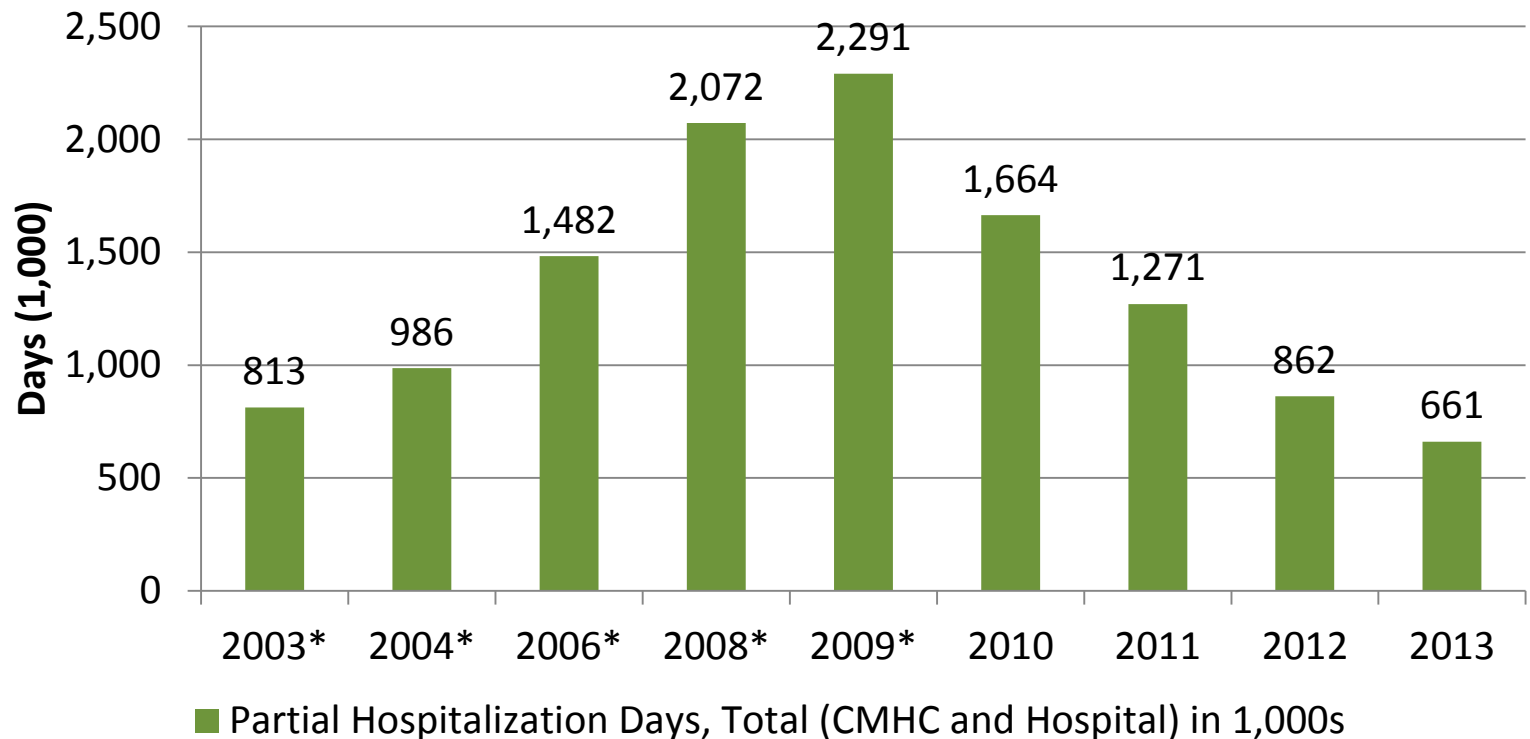
0176 : Level II Partial Hospitalization (4 Services) for Hospitals

Year	Payment Rate	Median Cost	Geometric Mean Cost*	Difference Between Geo Mean and Payment Rate*	Rule Status
2012	\$191.16	\$261.70	\$191.16	0.0%	Final
2013	\$228.26	\$224.91	\$234.81	-2.8%	Final
2014	\$213.64	\$181.56	\$214.39	-0.3%	Final
2015	\$181.66	\$179.27	\$190.21	-4.5%	Proposed

Source: Dobson | DaVanzo analysis of CMS OPPS PHP claims data 2010 through 2013.

* Prior to 2013 the median was used as the basis for the payment rate.

Partial Hospitalization Days, Total (Days in 1,000s)

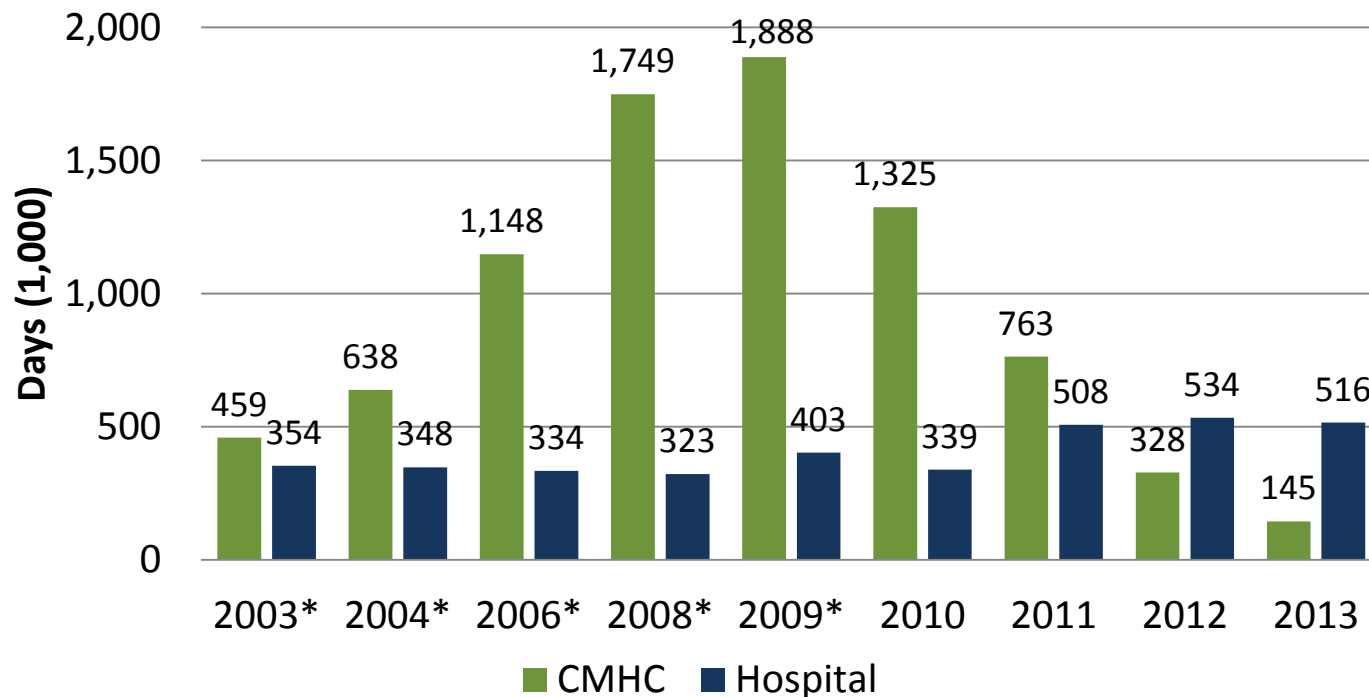


Source: Dobson | DaVanzo analysis of CMS OPPS PHP claims data 2010 through 2013.

* Early years are from a previous study by Rossiter.

Partial Hospitalization Days by Provider Type (Days in 1,000s)

- Substantial decrease in the total number of PHP days in CMHCs between 2008 and 2013
- An increase in the total number of PHP days in hospitals between 2008 and 2013

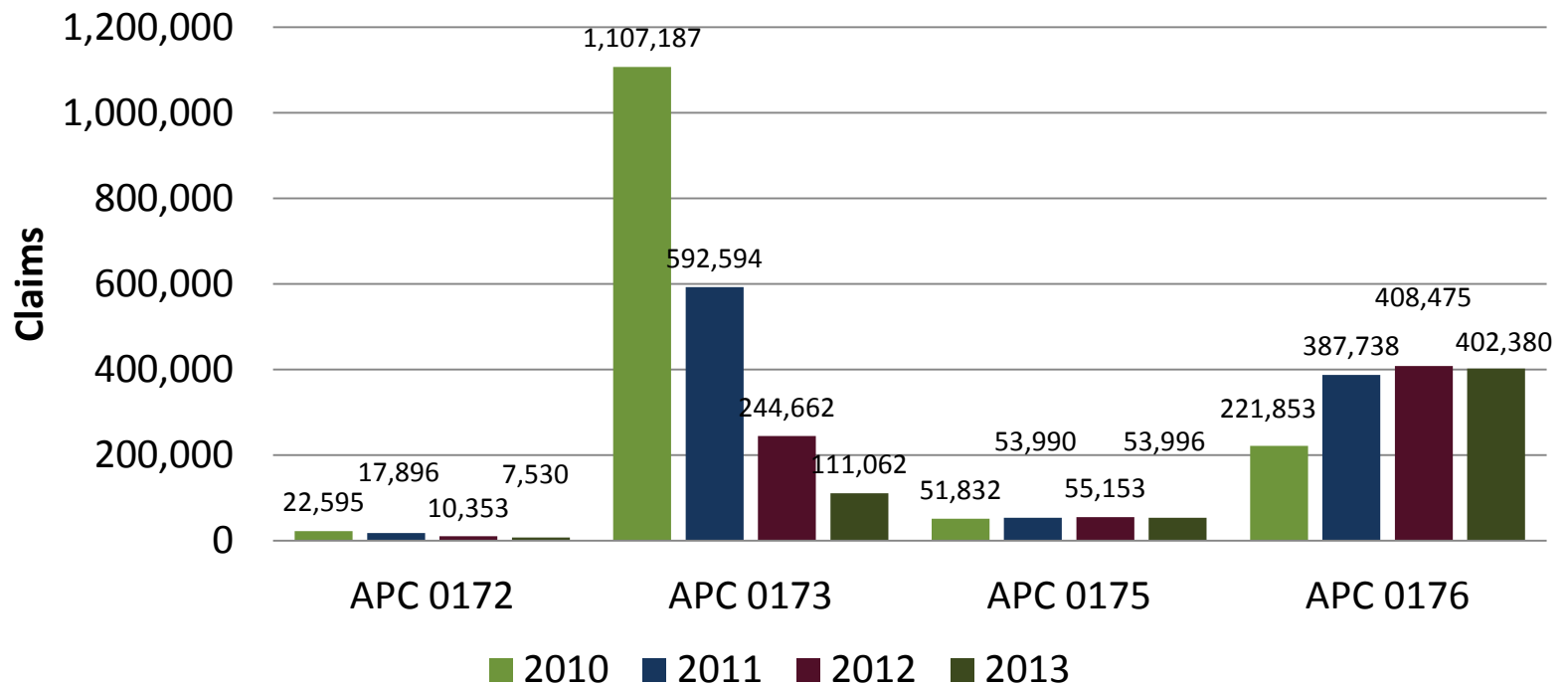


Source: Dobson | DaVanzo analysis of CMS OPPS PHP claims data 2010 through 2013.

* Early years are from a previous study by Rossiter.

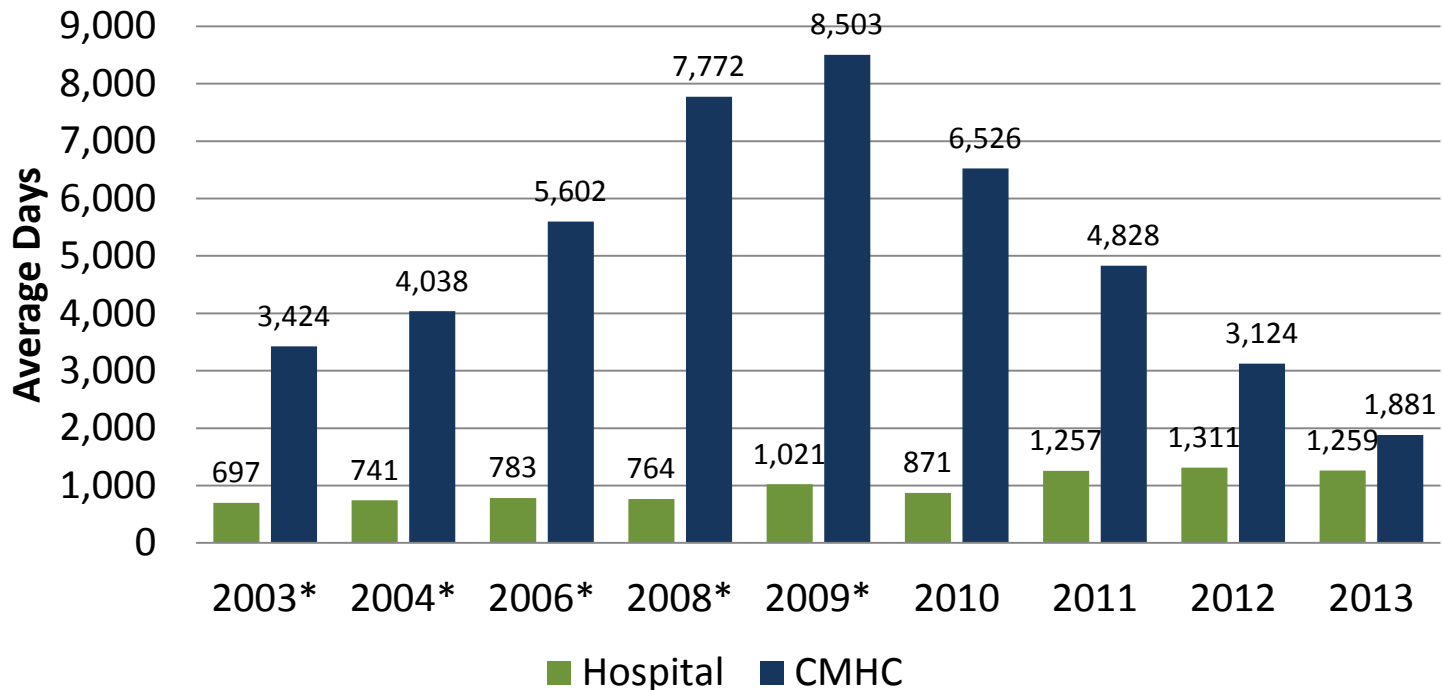
Medicare Utilization by APC

The number of claims for CMHC PHP (0172 and 0173) has seen a substantial drop over time, while claims for hospital PHP (0175 and 0176) have increased slightly between 2010 and 2013



Source: Dobson | DaVanzo analysis of CMS OPSS PHP claims data 2010 through 2013.

Average Days Per Provider By Type are Consistent with Total Trends



Source: Dobson | DaVanzo analysis of CMS OPPS PHP claims data 2010 through 2013.

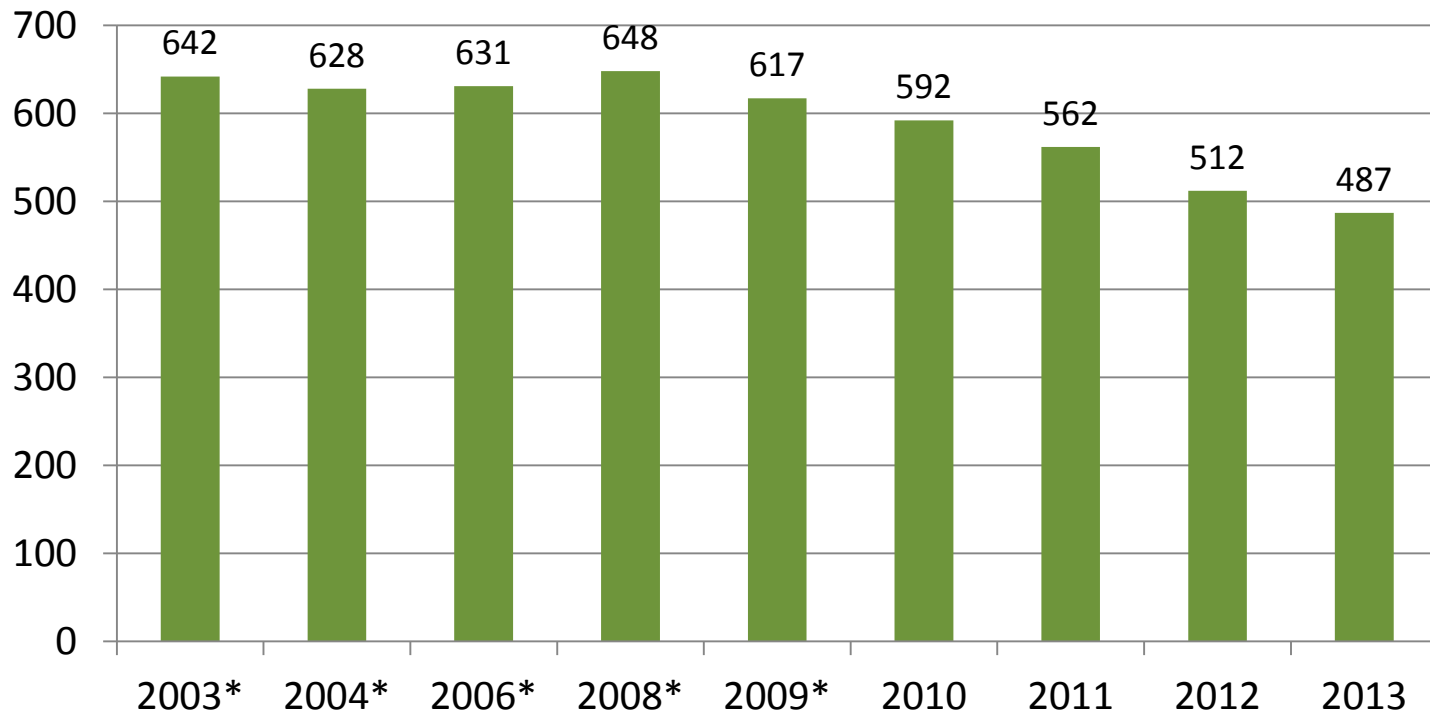
* Early years are from a previous study by Rossiter.

The decrease in payment from Medicare for partial hospitalization for mental illness raises three questions:

- Does the decrease in payment relate to a change in the number of providers?
- Is the decrease in payment related to changes in patient diagnosis?
- Is the decrease in payment related to a change in the revenue center being used to report costs?

The Number of Providers of PHP has Dropped Substantially in Recent Years

After remaining basically flat between 2003 and 2008, the number of PHP providers has decreased by 25% between 2008 and 2013

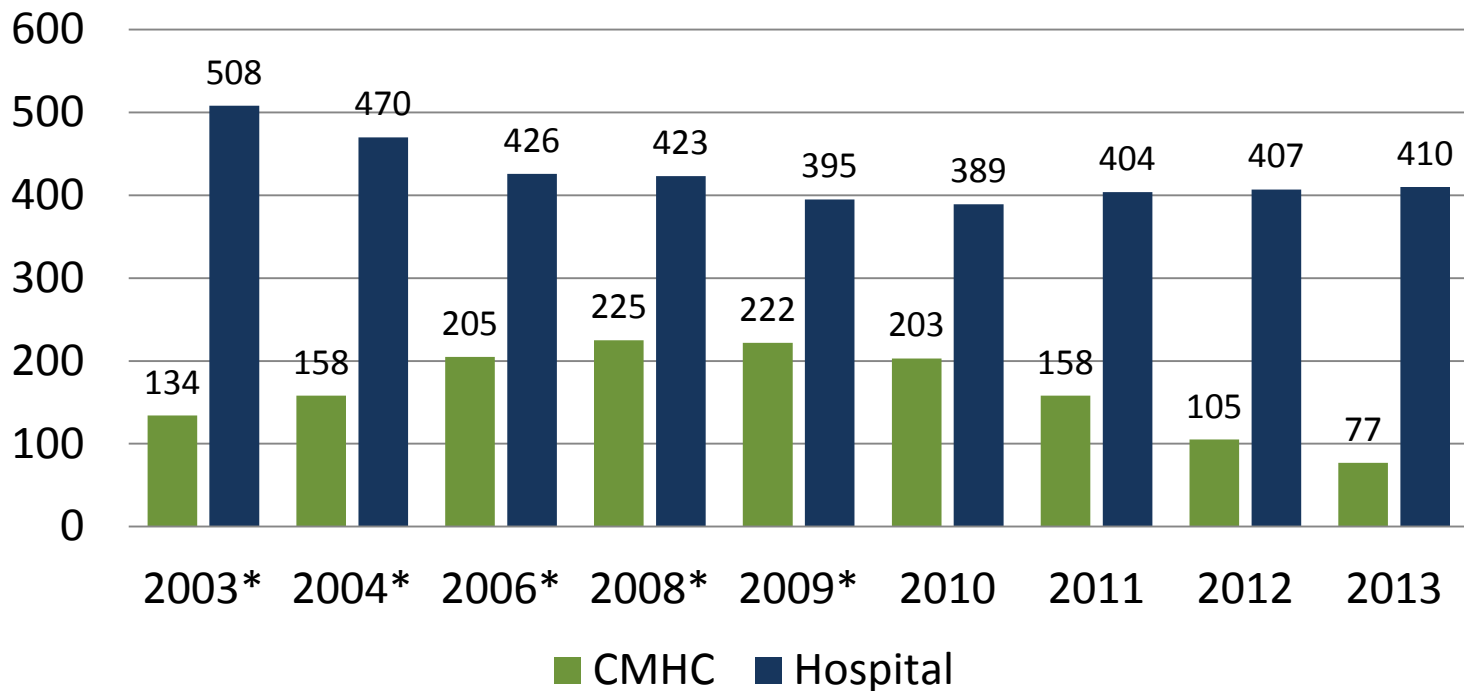


Source: Dobson | DaVanzo analysis of CMS OPPS PHP claims data 2010 through 2013.

* Early years are from a previous study by Rossiter.

Reduction in Providers by Type

Over time, the number of hospitals offering PHP has stabilized while the number of CMHCs offering PHP dropped by two thirds since 2008



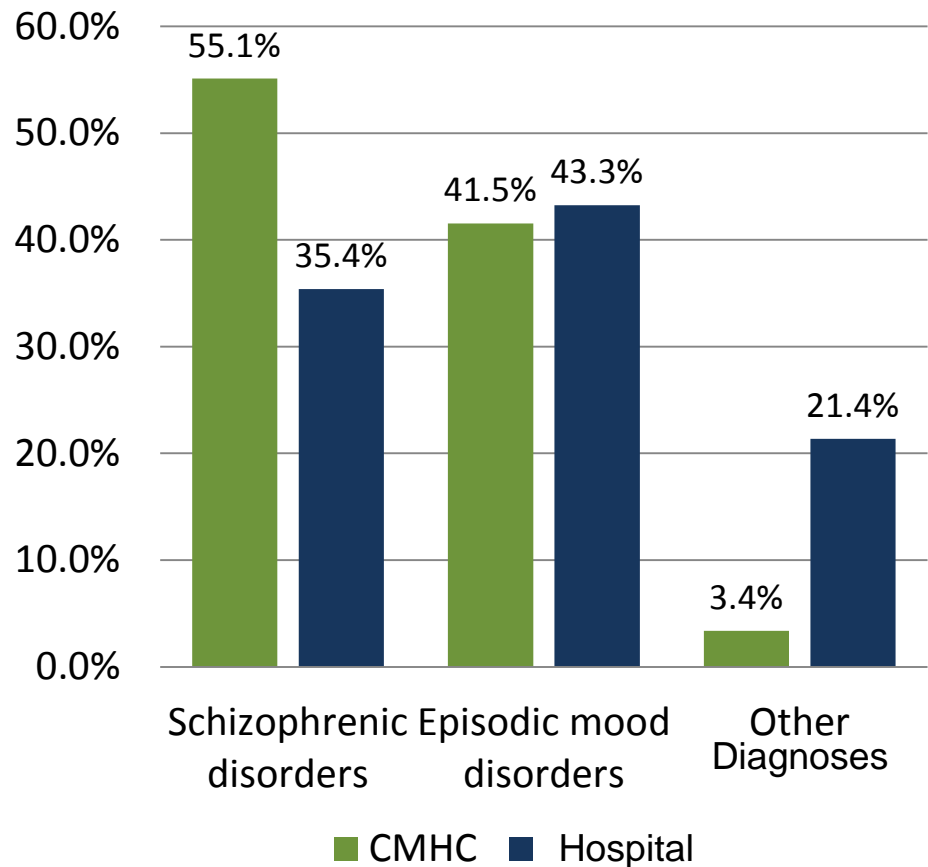
Source: Dobson | DaVanzo analysis of CMS OPPS PHP claims data 2010 through 2013.

* Early years are from a previous study by Rossiter.

Primary Diagnosis by Setting (2013)

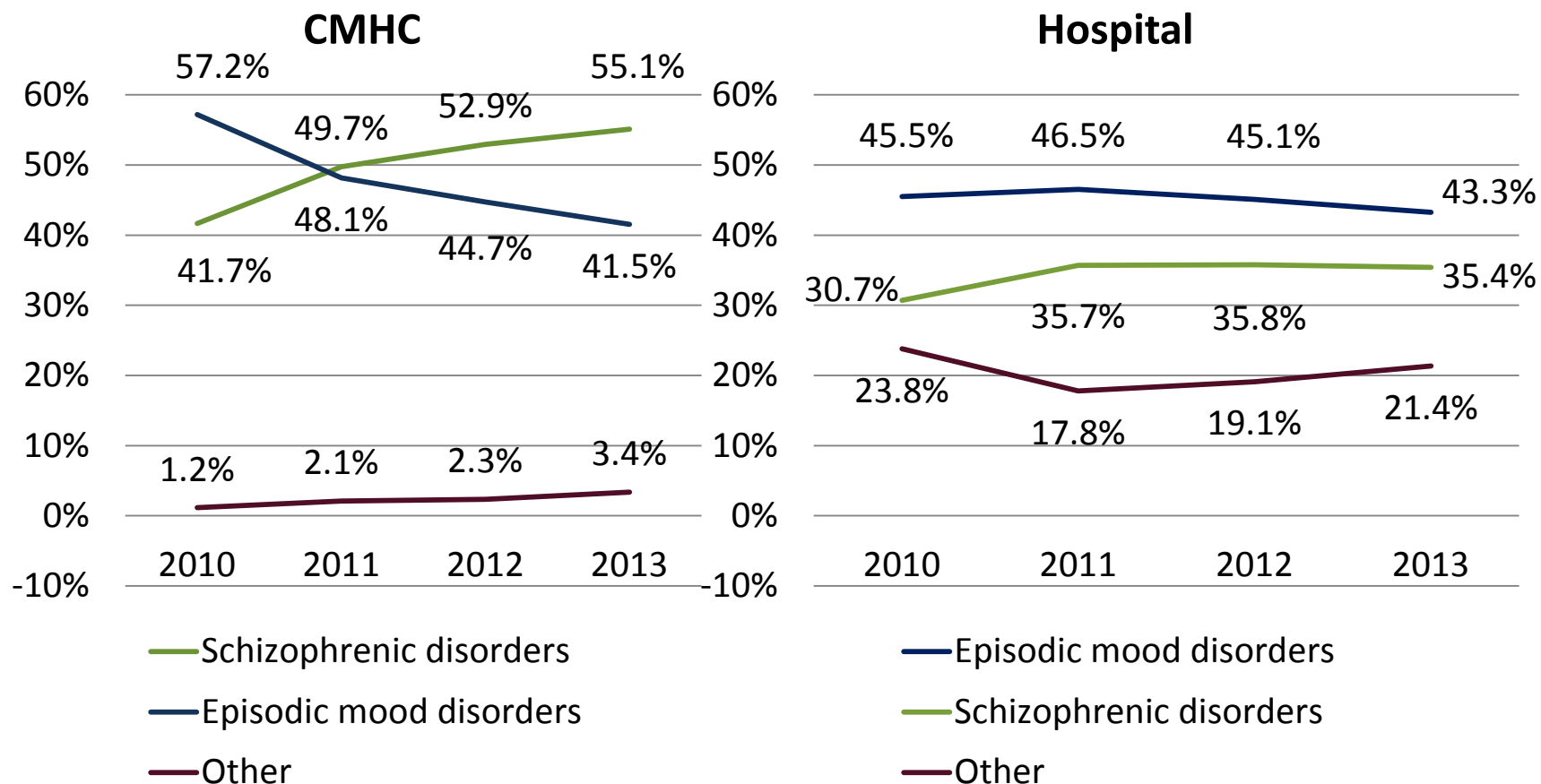
- In all 4 of the APCs for PHP, patients having two primary diagnoses predominated in both the CMHC and hospital setting:

- Episodic mood disorder, and
- Schizophrenic disorder



Source: Dobson | DaVanzo analysis of CMS OPPS PHP claims data 2010 through 2013.

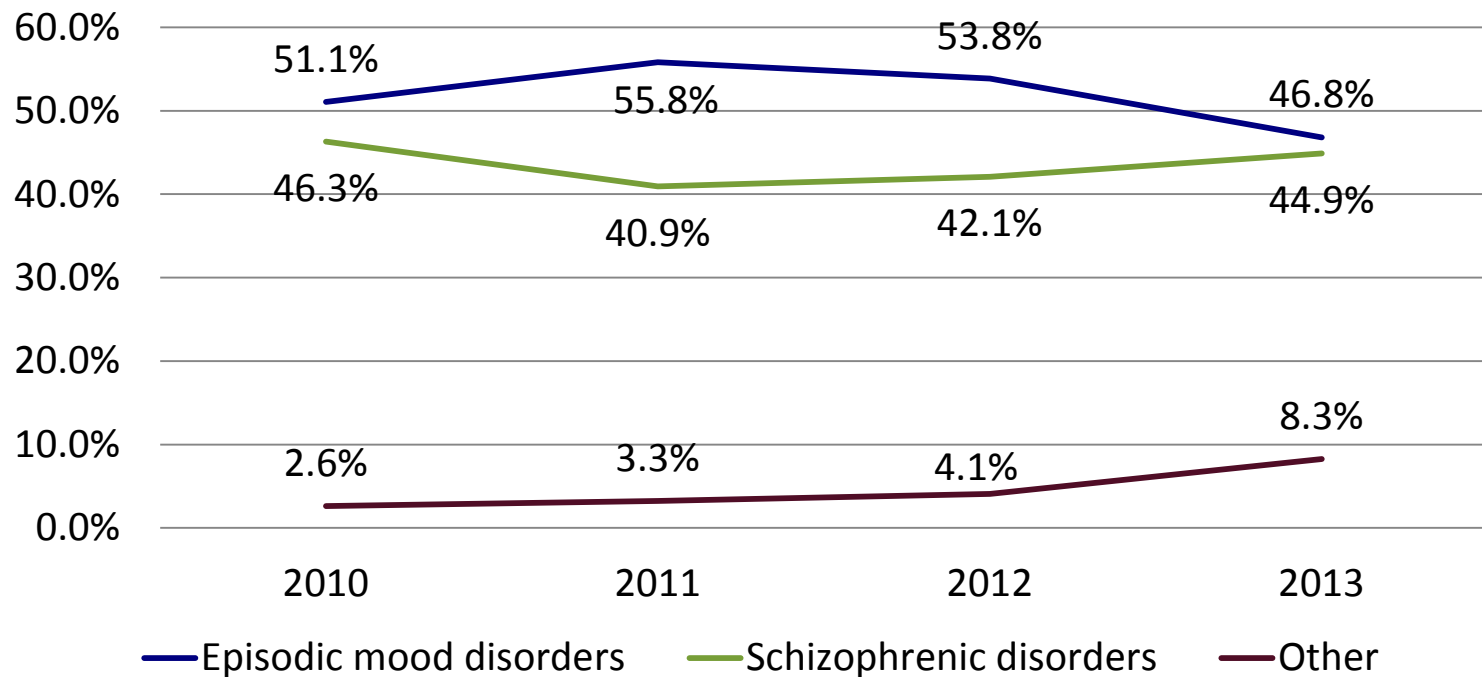
Proportion Of Primary Diagnosis Remains High Within Both CMHCs and Hospitals for Two Conditions Over The Study Period



Source: Dobson | DaVanzo analysis of CMS OPPS PHP claims data 2010 through 2013.

APC 0172: Percent of Services by Primary Diagnosis

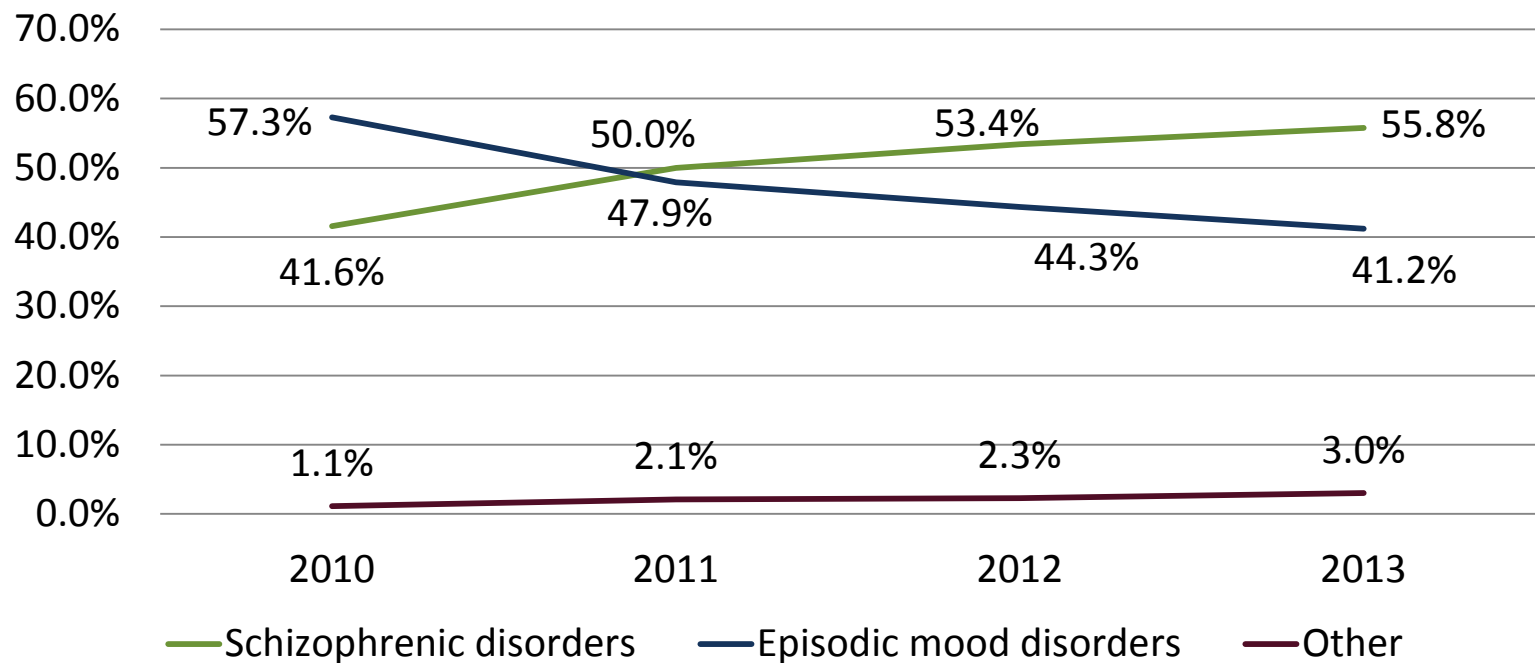
The percent of claims which had a primary diagnosis of a condition other than episodic mood or schizophrenic disorder increased from 2.6% to 8.3 % between 2010 and 2013



Source: Dobson | DaVanzo analysis of CMS OPPS PHP claims data 2010 through 2013.

APC 0173: Percent of Services by Primary Diagnosis

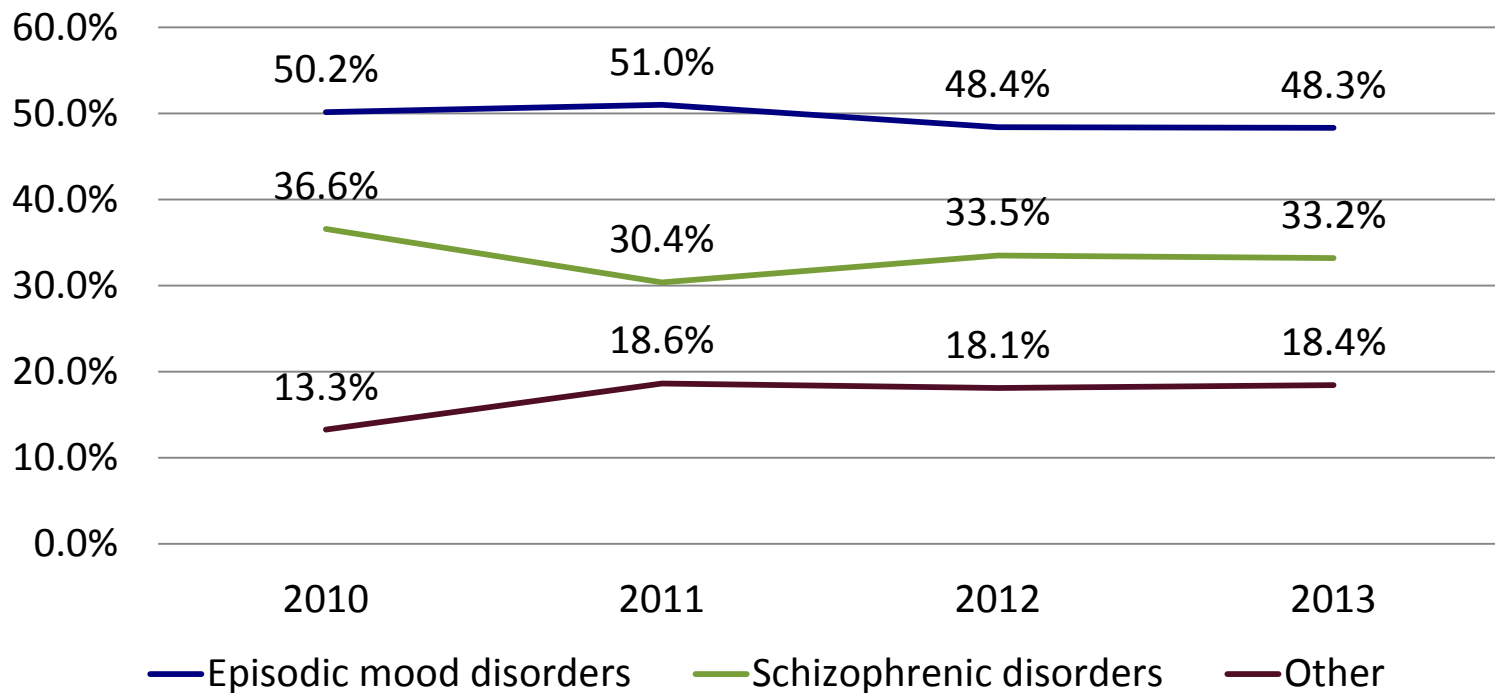
The percent of claims with a primary diagnosis of episodic mood disorder dropped from 57.3% to 41.2% while schizophrenic disorder increased from 41.6% to 55.8% between 2010 and 2013



Source: Dobson | DaVanzo analysis of CMS OPPS PHP claims data 2010 through 2013.

APC 0175: Percent of Services by Primary Diagnosis

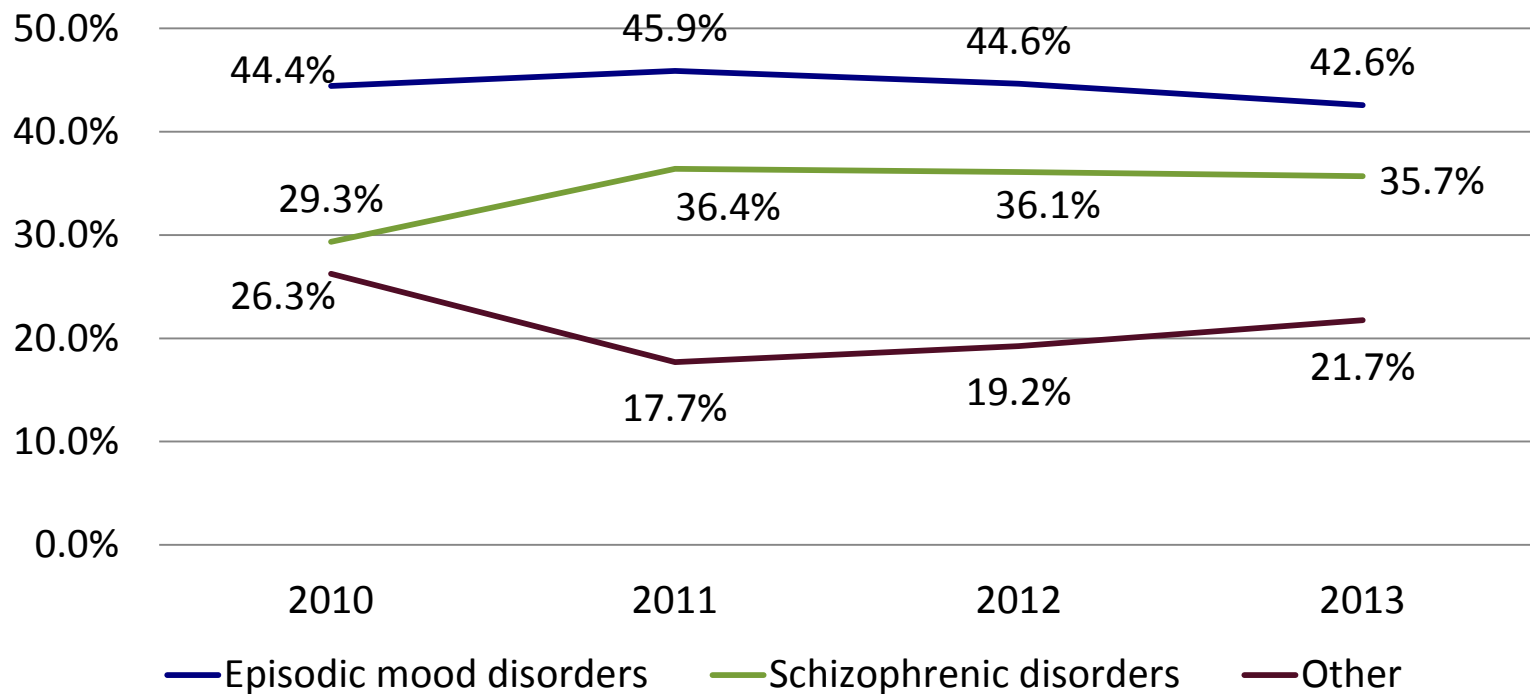
- Episodic mood disorder remained between 50.2% to 48.3%
- Schizophrenic disorder fluctuated between 36.6% and 30.4%



Source: Dobson | DaVanzo analysis of CMS OPPS PHP claims data 2010 through 2013.

APC 0176: Percent of Services by Primary Diagnosis

- Schizophrenic disorder showed an increase from 29.3% to 35.7%
- Episodic mood disorder held steady between 44.4% and 42.6%

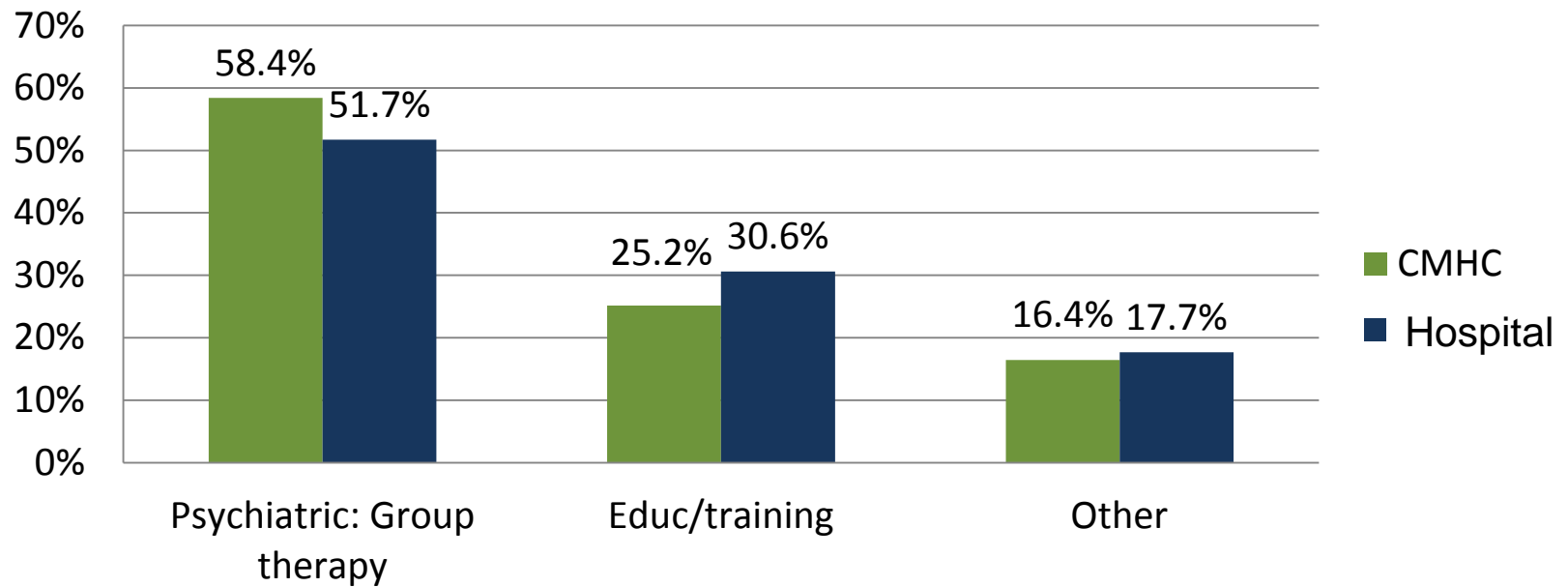


Source: Dobson | DaVanzo analysis of CMS OPPS PHP claims data 2010 through 2013.

Revenue Center Services by Setting (2013)

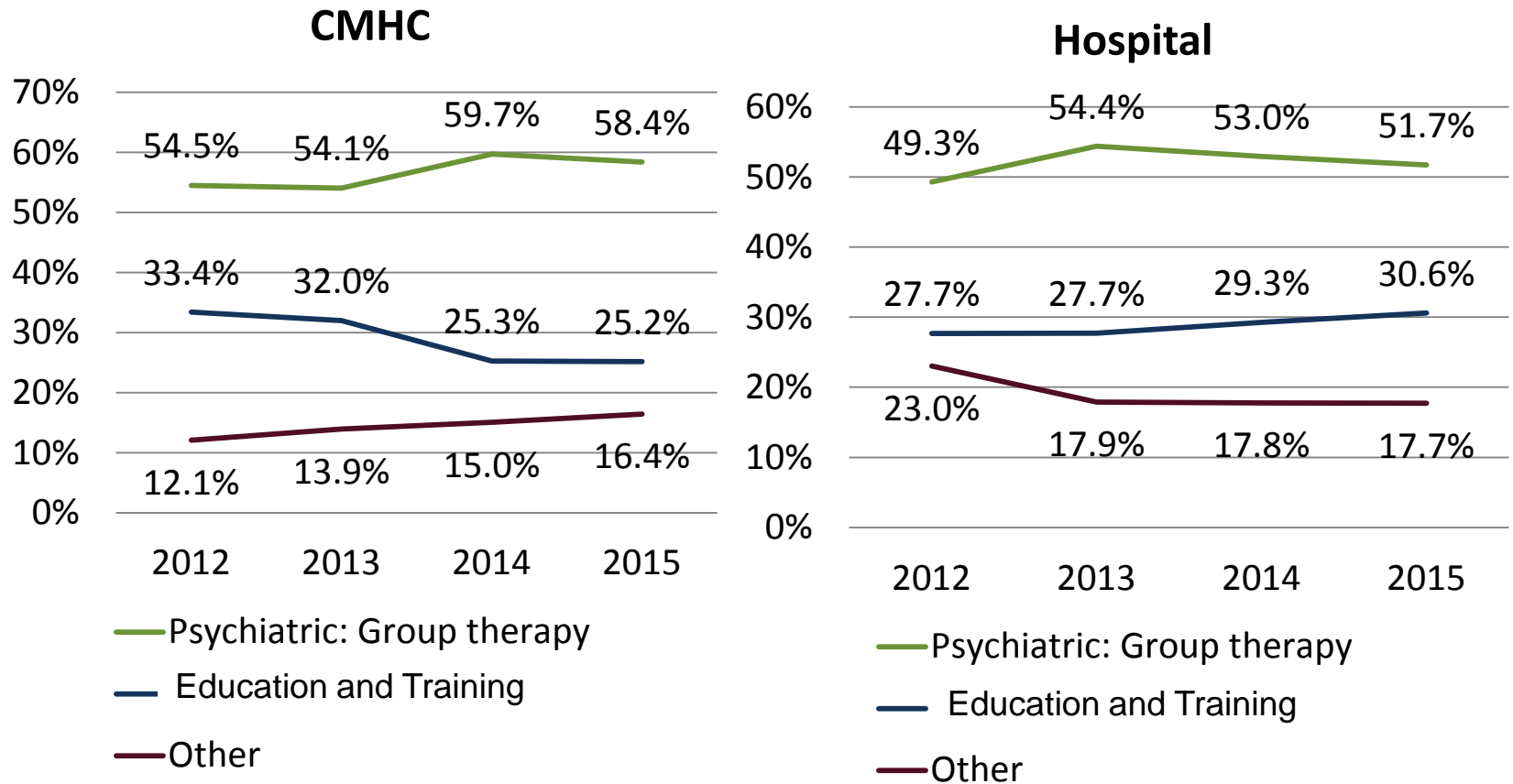
Two revenue centers account for over 82% of the reported services for partial hospitalization in either the CMHC or hospital setting:

- 0915 Psychiatric: Group therapy
- 0942 Other Therapeutic Service: Education/training



Source: Dobson | DaVanzo analysis of CMS OPPS PHP claims data 2010 through 2013.

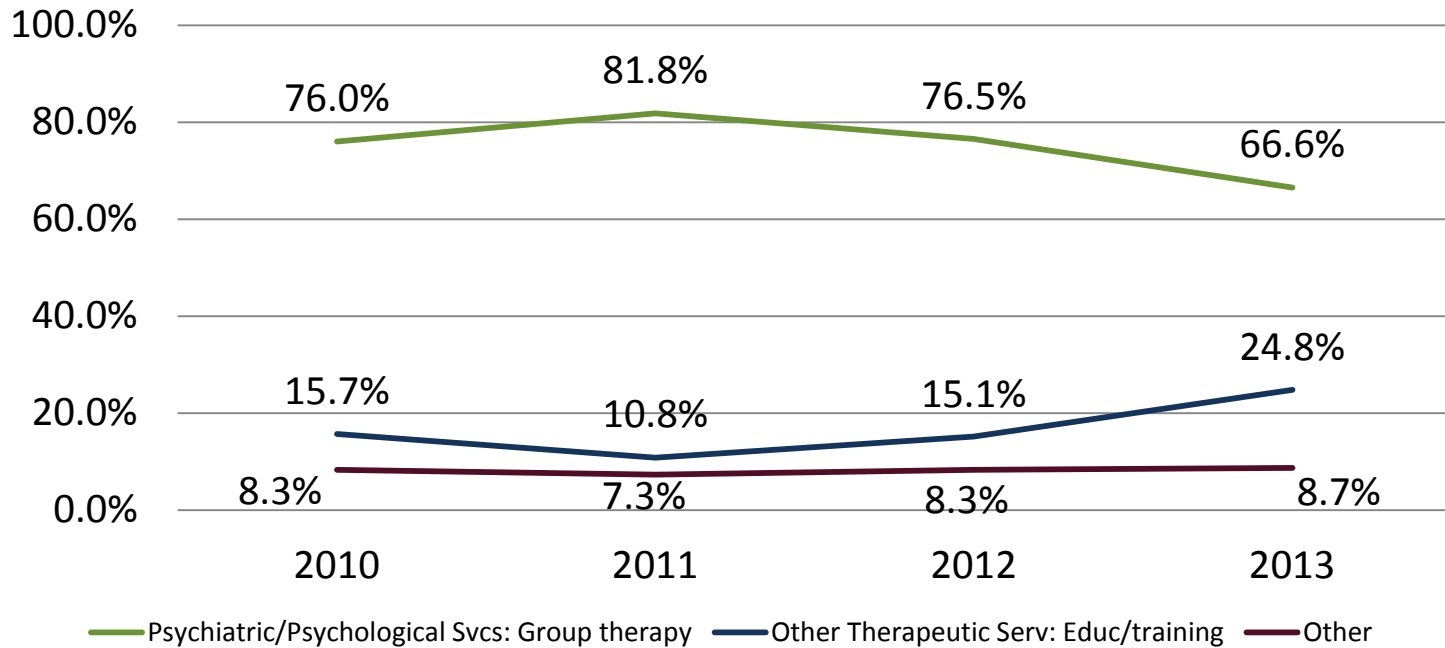
Percent of Services by Revenue Centers Reported Remains Consistent over Time



Source: Dobson | DaVanzo analysis of CMS OPPS PHP claims data 2010 through 2013.

APC 0172 Revenue Center Services

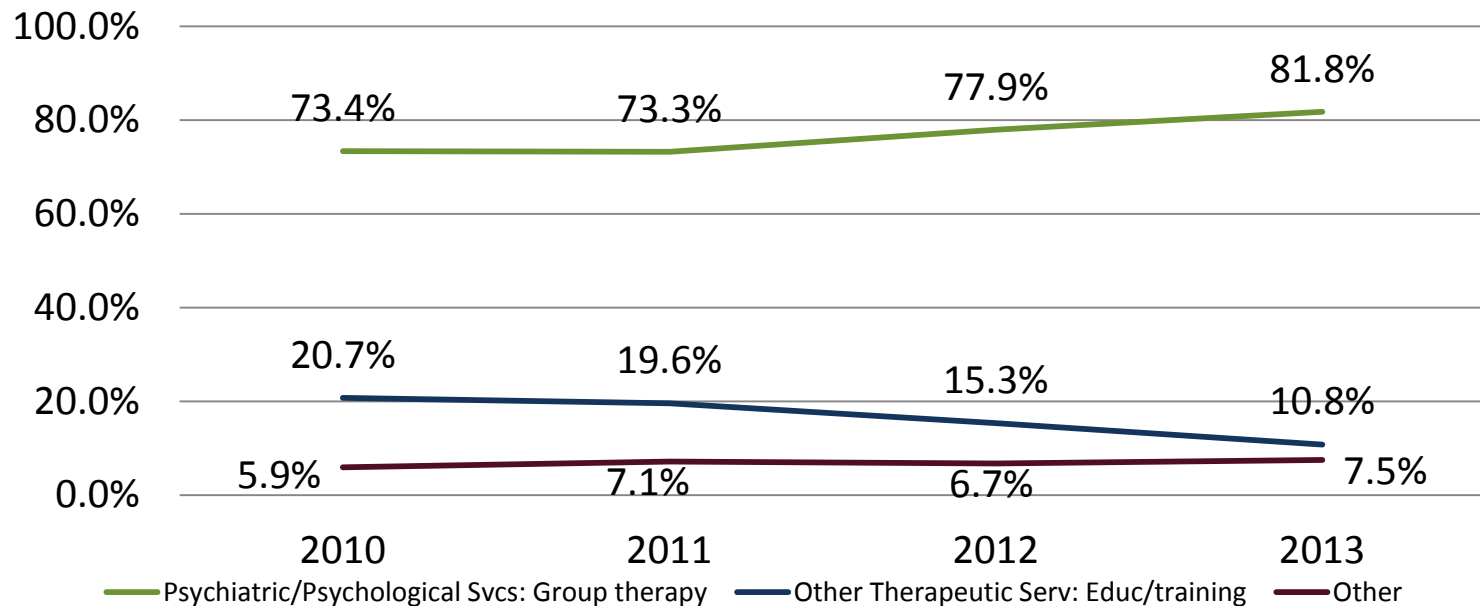
Only 8% to 9% of services are reported as not being either group therapy or education and training



Source: Dobson | DaVanzo analysis of CMS OPPS PHP claims data 2010 through 2013.

APC 0173 Revenue Center Services

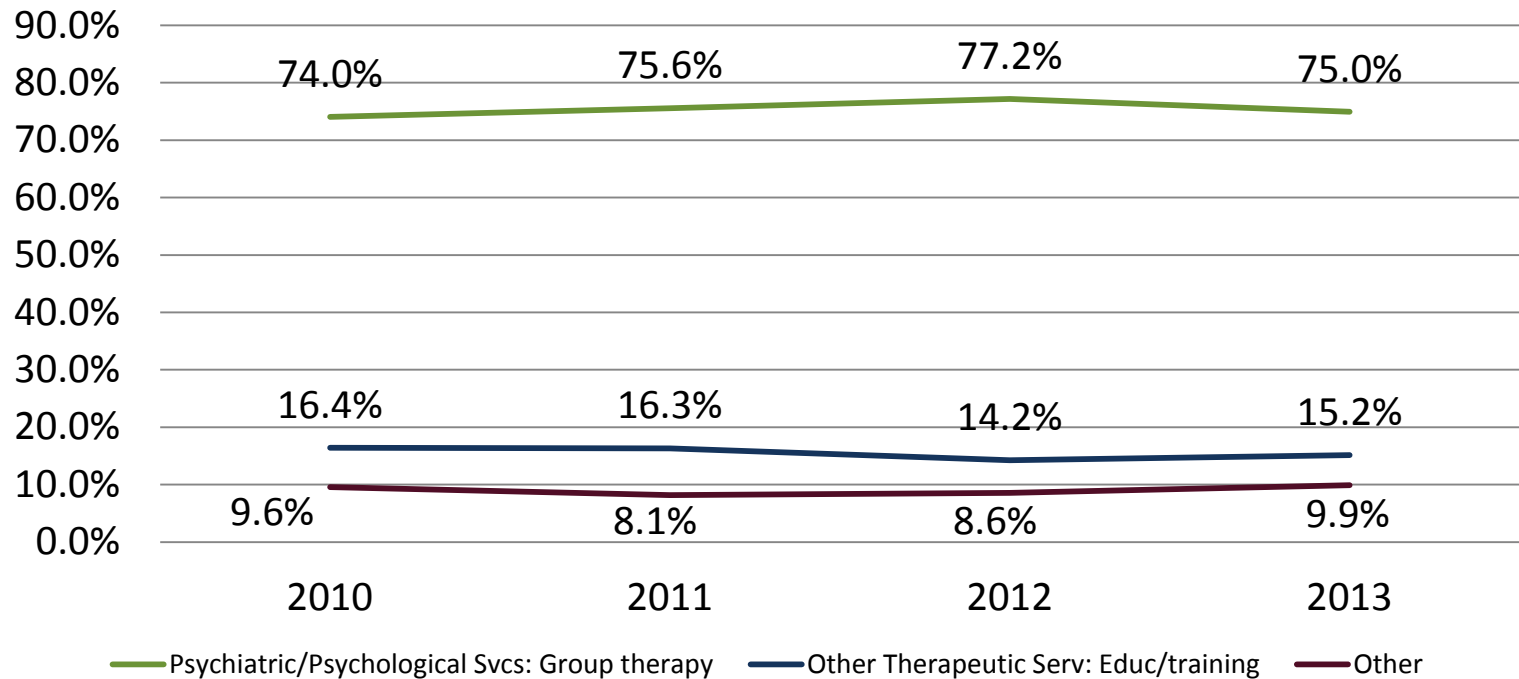
- The proportion of group therapy services reported increased from 73.4% to 81.8% between 2010 and 2013
- Education and training decreased from 20.7% to 10.8% between 2010 and 2013



Source: Dobson | DaVanzo analysis of CMS OPPS PHP claims data 2010 through 2013.

APC 0175 Revenue Center Services

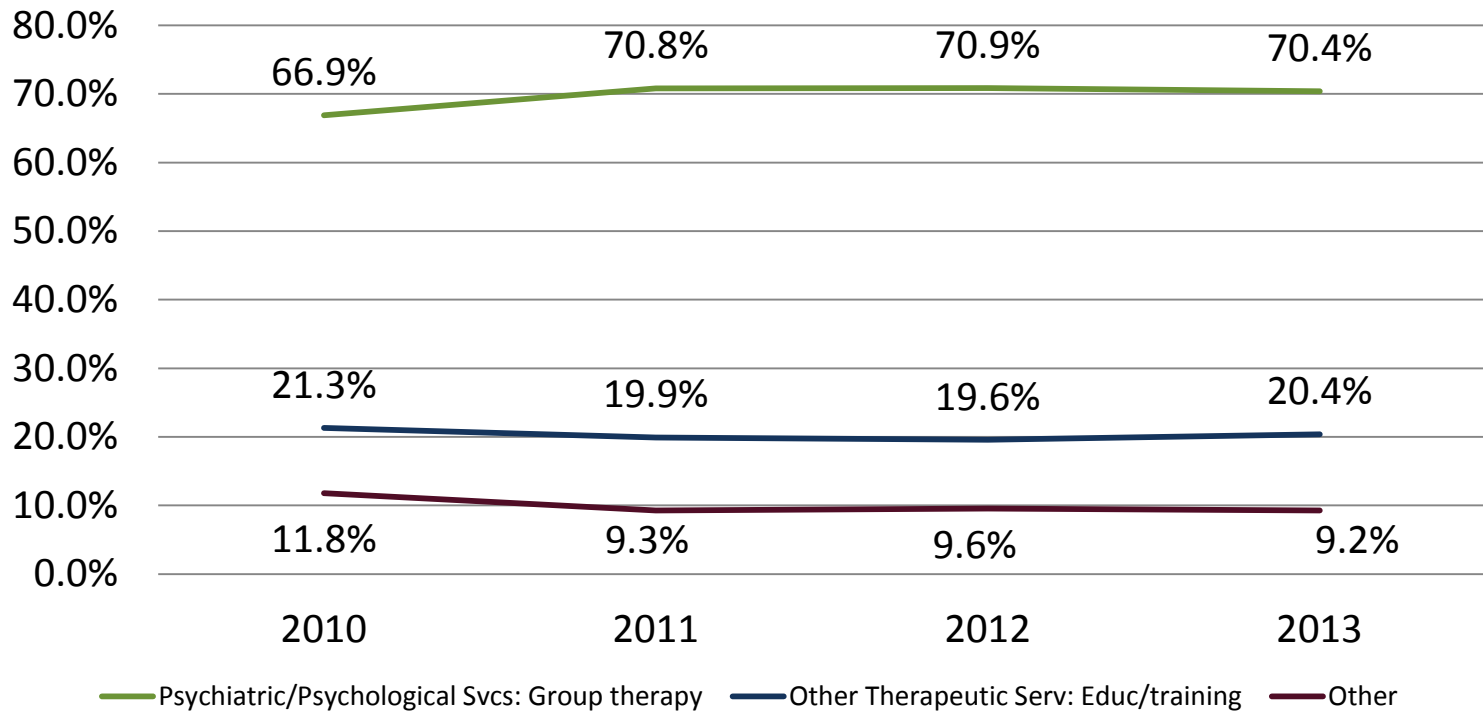
The distribution of reported services by revenue center remained unchanged between 2010 to 2013



Source: Dobson | DaVanzo analysis of CMS OPPS PHP claims data 2010 through 2013.

APC 0176 Revenue Center Services

Group therapy increased from 66.9% to 70.4% of reported services between 2010 and 2013



Source: Dobson | DaVanzo analysis of CMS OPSS PHP claims data 2010 through 2013.

Conclusion

- **The proposed decrease in payment for 2015 is larger for hospital based PHP than for CMHC based PHP**
- **There was growth in PHP through 2008 and contraction since then**
- **The mix of diagnoses for patients utilizing PHP did not change between 2010 and 2013**
- **The proportion of services allocated to specific revenue centers did not change between 2010 and 2013**
- **The combination of an unpredictable and decreasing revenue stream from Medicare in 2015 and a shrinking number of providers offering PHP services places patient access at risk**