



The Estimated Impact of the  
BBA and BBRA  
on Medicare Payments to Skilled Nursing  
Facilities in Vermont

Prepared for:  
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and  
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# Impact of the BBA and BBRA on Medicare Payments to Skilled Nursing Facilities in Vermont

This report provides estimates of the Medicare payments and reductions in payments to skilled nursing facilities in Vermont under the Balanced Budget Act of 1997 (BBA) and Medicare Balanced Budget Refinement Act of 1999 (BBRA). Two estimates of projected Medicare payments to skilled nursing facilities (SNFs) were derived by applying the Congressional Budget Office (CBO) projections of Medicare payments to skilled nursing facilities based on the distribution of Medicare covered days and claim payments among the states.

This analysis is based on our previous report entitled "Briefing Chartbook on the Effect of the Balanced Budget Act of 1997 and the Balanced Budget Refinement Act of 1999 on Medicare Payments to Skilled Nursing Facilities." The report found that original BBA reductions of \$19.8 billion (16%) had increased to \$35.6 billion (28%), based on CBO projections in January 1998 compared to projections in April 2000. A copy of the full report is available at [www.KeepThePromise.com](http://www.KeepThePromise.com) or by contacting The Lewin Group.

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## Summary of Findings for SNFs in Vermont

### ESTIMATE 1

#### Medicare Payment Reductions Based on Vermont's Proportion of Total U.S. Covered SNF Days

- From 1998 to 2004, the BBA was originally projected to reduce Medicare SNF payments by \$19.0 million. This represents a reduction of 6.3%.
- Based on our analysis of CBO's April 2000 estimates of SNF spending from 1998 to 2004, reductions have increased to \$57.8 million. This represents a total reduction of 19.0%.
- Using the covered days methodology, estimated Medicare SNF reductions have increased by \$38.8 million.

### ESTIMATE 2

#### Medicare Payment Reductions Based on Vermont's Proportion of Total U.S. SNF Claim Payments

- From 1998 to 2004, the BBA was originally projected to reduce Medicare SNF payments by \$2.5 million. This represents a reduction of 1.6%.
- Based on our analysis of CBO's April 2000 estimates of SNF spending from 1998 to 2004, reductions have increased to \$22.9 million. This represents a total reduction of 14.4%.
- Using the claim payments methodology, estimated Medicare SNF reductions have increased by \$20.4 million.

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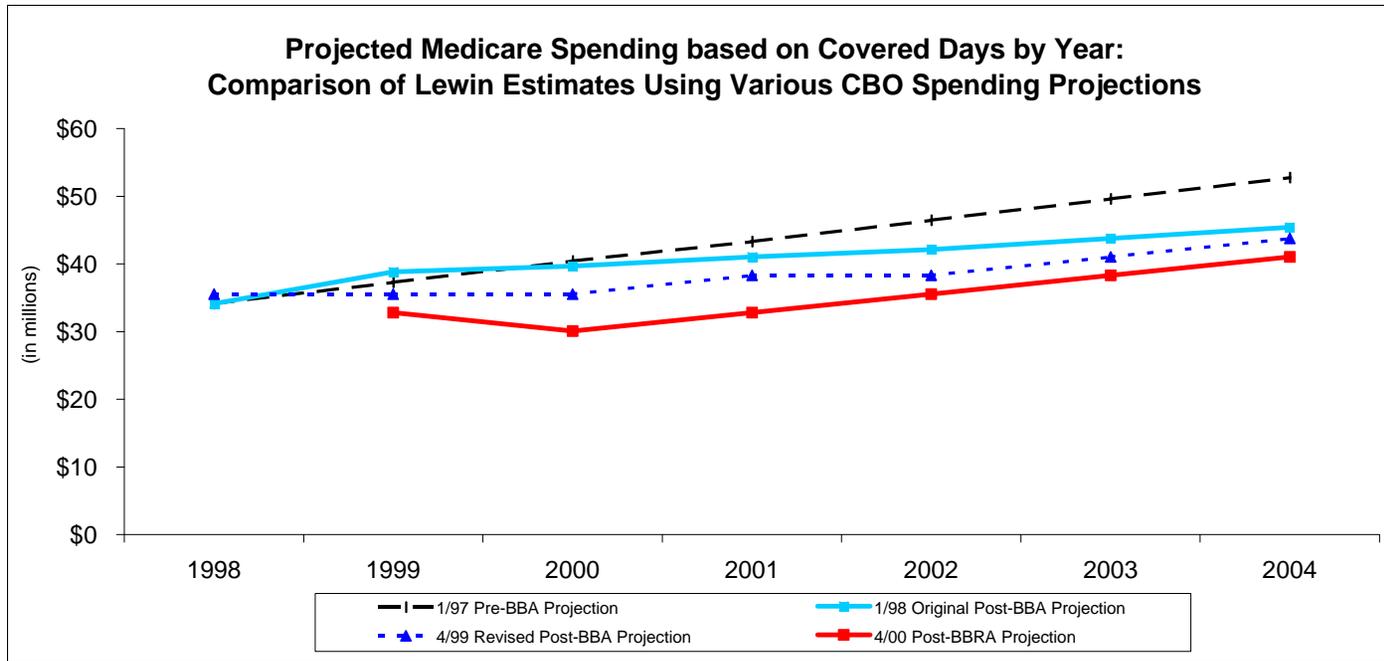
### Methodology

The Lewin Group produced estimates projecting the potential impact of the BBA and BBRA on SNFs by state. In the absence of facility-level, detailed information, we have developed a model that distributes national Medicare spending projections at the state level using historical spending and utilization information from 1997 and 1998. (The Health Care Financing Administration (HCFA) has not yet released any information at the SNF facility-level that would allow independent analysts to simulate changes in SNF per diem payments or determine facility-level case-mix.) Our model assumes that the distributive impact of the BBA as reflected in the 1998 data will continue under the BBRA to 2004. More accurate estimates of the BBA/BBRA impact by state will not be known until more current data are available.

We provide two estimates of Medicare SNF spending estimates and reductions for each state. Our first set of estimates allocates CBO's national spending projections based on each state's proportion of Medicare covered days in 1998. Our second set of estimates allocates CBO's national spending projections based on each state's proportion of Medicare SNF payments in 1998. The allocation for the pre-BBA projection for Medicare SNF spending is based on the proportion of covered days and claim payments for 1997 whereas the allocation for the post-BBA projections is based on proportion of covered days and claim payments for 1998. This analysis distributes national Medicare SNF spending reductions of \$35.6 billion, a 28% reduction, under the BBA from 1998 to 2004.

CBO annually revises its baseline. All of these estimates are relative to the January 1997 baseline. Actual and projected CBO estimates of SNF spending have changed due to several factors, including BBA payment provisions, general economic factors, and changes in provider behavior.

## Impact of the BBA and BBRA on Medicare Payments to Skilled Nursing Facilities in Vermont Based on Covered Days Methodology



### Historical Utilization of Covered SNF Days in Vermont\*

	1997	1998
State Total	116,838	126,330
Percent of the National Total	0.24%	0.27%

\* Source HCFA

### Distribution of CBO Estimates of Total Medicare SNF Spending and Spending Reductions Based on Vermont's Proportion of Total Covered Days (in millions)

VERMONT	1998	1999	2000	2001	2002	2003	2004	Total from 1998-2004	Percent Reduction
1/97 Pre-BBA Projection	\$34.1	\$37.3	\$40.4	\$43.3	\$46.5	\$49.6	\$52.7	\$303.9	
1/98 Original Post-BBA Projection	\$34.1	\$38.8	\$39.7	\$41.0	\$42.1	\$43.8	\$45.4	\$284.9	
4/99 Revised Post-BBA Projection	\$35.5	\$35.5	\$35.5	\$38.3	\$38.3	\$41.0	\$43.8	\$268.0	
4/00 Post-BBRA Projection		\$32.8	\$30.1	\$32.8	\$35.5	\$38.3	\$41.0	\$210.6	
<b>BBA Reductions</b>									
Reductions based on Original BBA Estimates	\$0.0	(\$1.6)	\$0.8	\$2.3	\$4.3	\$5.8	\$7.4	\$19.0	-6%
Reductions based on Revised BBA Estimates	(\$1.4)	\$1.7	\$4.9	\$5.0	\$8.2	\$8.6	\$9.0	\$35.9	-12%
Reductions based on BBRA Estimates	(\$1.4)	\$4.4	\$10.3	\$10.5	\$10.9	\$11.3	\$11.7	\$57.8	-19%

Source: The Lewin Group Analysis of HCFA and CBO data.

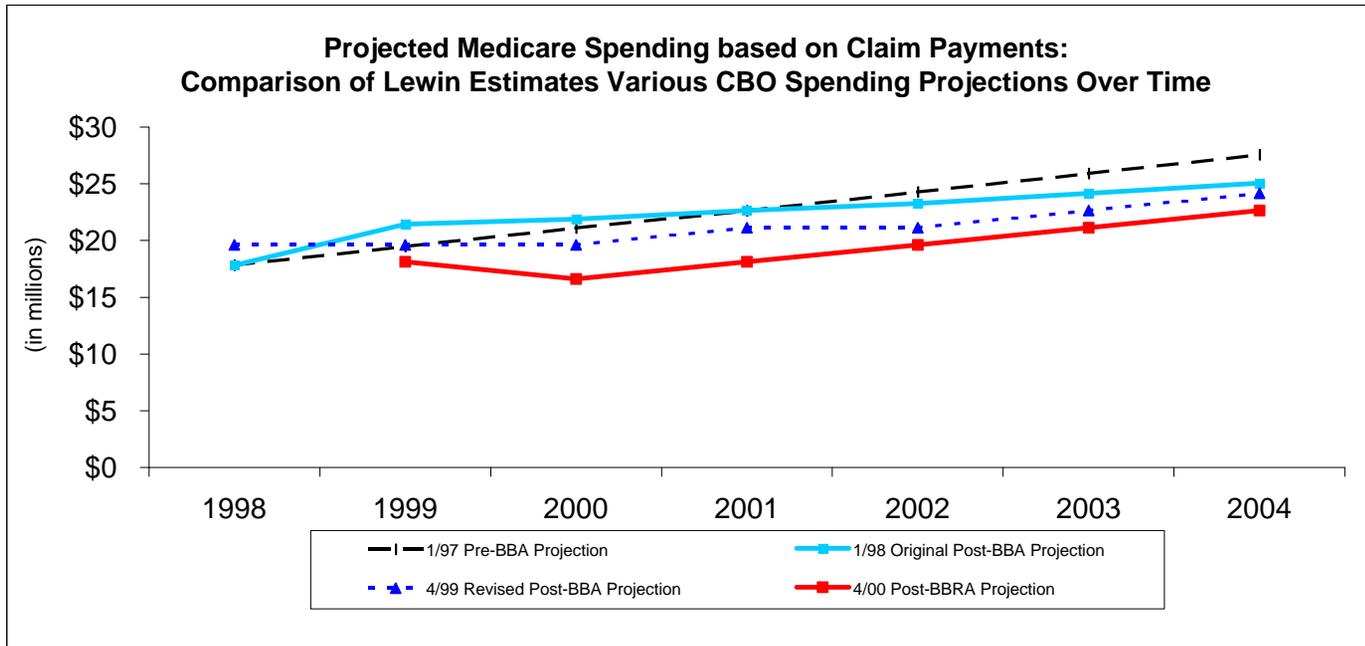
CBO Pre-BBA Projections (1/97): *Economic and Budget Outlook: Fiscal Years 1998-2007, January, 1997.*

CBO Original Post-BBA Projections (1/98): *Economic and Budget Outlook: Fiscal Years 1998-2008, January, 1998.*

CBO Revised Post-BBA Projections (4/99): *An Analysis of the President's Budgetary Proposals for Fiscal Year 2000, April 1999.*

CBO Revised Post-BBRA Projections (4/00): *An Analysis of the President's Budgetary Proposals for Fiscal Year 2001, April 2000.*

## Impact of the BBA and BBRA on Medicare Payments to Skilled Nursing Facilities in Vermont Based on Claim Payments Methodology



### Historical Utilization of Claim Payments in Vermont

	1997	1998
State Total	\$14,209,648	\$17,377,583
Percent of the National Total	0.13%	0.15%

\* Source HCFA

### Distribution of CBO Estimates of Total Medicare SNF Spending and Spending Reductions Based on Vermont's Proportion of Total Claim Payments (in millions)

VERMONT	1998	1999	2000	2001	2002	2003	2004	Total from 1998-2004	Percent Reduction
1/97 Pre-BBA Projection	\$17.8	\$19.5	\$21.1	\$22.6	\$24.3	\$25.9	\$27.6	\$158.8	
1/98 Original Post-BBA Projection	\$17.8	\$21.4	\$21.9	\$22.6	\$23.3	\$24.2	\$25.1	\$156.3	
4/99 Revised Post-BBA Projection	\$19.6	\$19.6	\$19.6	\$21.1	\$21.1	\$22.6	\$24.2	\$148.0	
4/00 Post-BBRA Projection		\$18.1	\$16.6	\$18.1	\$19.6	\$21.1	\$22.6	\$116.3	
<b>BBA Reductions</b>		<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>		
Reductions based on Original BBA Estimates	\$0.0	(\$2.0)	(\$0.8)	(\$0.0)	\$1.0	\$1.8	\$2.5	\$2.5	-2%
Reductions based on Revised BBA Estimates	(\$1.8)	(\$0.2)	\$1.5	\$1.5	\$3.1	\$3.3	\$3.4	\$10.8	-7%
Reductions based on BBRA Estimates	(\$1.8)	\$1.3	\$4.5	\$4.5	\$4.6	\$4.8	\$4.9	\$22.9	-14%

Source: The Lewin Group Analysis of HCFA and CBO data.

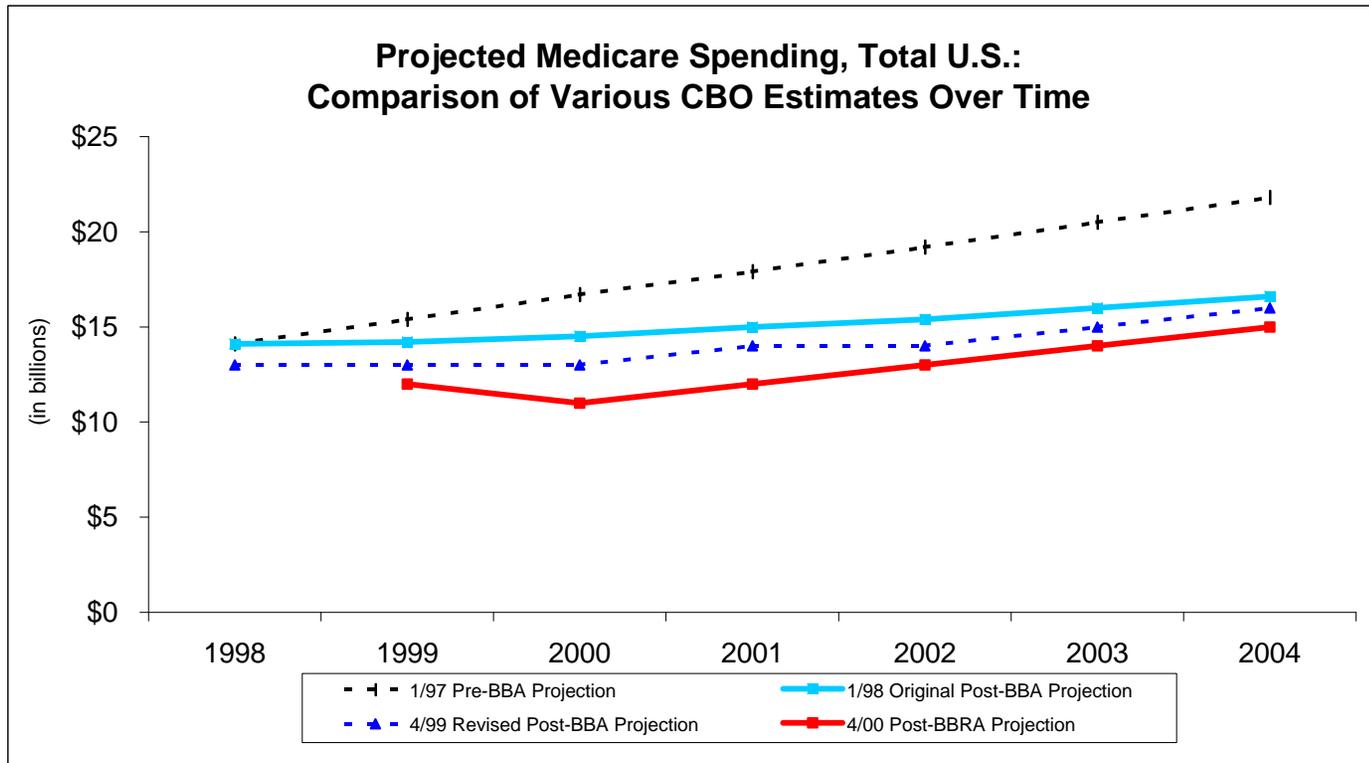
CBO Pre-BBA Projections (1/97): Economic and Budget Outlook: Fiscal Years 1998-2007, January, 1997.

CBO Original Post-BBA Projections (1/98): Economic and Budget Outlook: Fiscal Years 1998-2008, January, 1998.

CBO Revised Post-BBA Projections (4/99): An Analysis of the President's Budgetary Proposals for Fiscal Year 2000, April 1999.

CBO Revised Post-BBRA Projections (4/00): An Analysis of the President's Budgetary Proposals for Fiscal Year 2001, April 2000.

## Impact of the BBA and BBRA on Medicare Payments to Skilled Nursing Facilities Total United States



**CBO Estimates of Medicare SNF Spending and Spending Reductions (in billions)**

	1998	1999	2000	2001	2002	2003	2004	Total from 1998-2004	Percent Reduction
1/97 Pre-BBA Projection	\$14.1	\$15.4	\$16.7	\$17.9	\$19.2	\$20.5	\$21.8	\$125.6	
1/98 Original Post-BBA Projection	\$14.1	\$14.2	\$14.5	\$15.0	\$15.4	\$16.0	\$16.6	\$105.8	
4/99 Revised Post-BBA Projection	\$13.0	\$13.0	\$13.0	\$14.0	\$14.0	\$15.0	\$16.0	\$98.0	
4/00 Post-BBRA Projection	\$0.0	\$12.0	\$11.0	\$12.0	\$13.0	\$14.0	\$15.0	\$77.0	
<b>BBA Reductions</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>		
Reductions based on Original BBA Estimates	\$0.0	\$1.2	\$2.2	\$2.9	\$3.8	\$4.5	\$5.2	\$19.8	-16%
Reductions based on Revised BBA Estimates	\$1.1	\$2.4	\$3.7	\$3.9	\$5.2	\$5.5	\$5.8	\$27.6	-22%
Reductions based on BBRA Estimates	\$1.1	\$3.4	\$5.7	\$5.9	\$6.2	\$6.5	\$6.8	\$35.6	-28%

Source: CBO Pre-BBA Projections (1/97): *Economic and Budget Outlook: Fiscal Years 1998-2007, January, 1997.*  
 CBO Original Post-BBA Projections (1/98): *Economic and Budget Outlook: Fiscal Years 1998-2008, January, 1998.*  
 CBO Revised Post-BBA Projections (4/99): *An Analysis of the President's Budgetary Proposals for Fiscal Year 2000, April 1999.*  
 CBO Revised Post-BBRA Projections (4/00): *An Analysis of the President's Budgetary Proposals for Fiscal Year 2001, April 2000.*