

Assessing payment adequacy and updating payments: home health care services

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Overview

- Summary of benefit
- Review of current issues
- Payment adequacy

Home health care summary 2016

- \$18.1 billion total expenditures
- Over 12,200 agencies
- 6.5 million episodes for 3.4 million beneficiaries
- About 5 percent of FFS spending

Issues in Medicare home health care

- Effective service when appropriately targeted
- Poorly defined benefit
- Program integrity issues
- Significant geographic variation in utilization

Issues in Medicare home health prospective payment system

- System includes number of therapy visits provided in an episode as a payment factor
 - Providing more visits increases payments significantly
 - Episodes receiving additional payments for therapy account for increasing share of total episodes
- Payments too high; do not reflect cost of typical episode
- MedPAC recommended removal of therapy thresholds in 2011
- CMS proposed removal of therapy thresholds in 2017 proposed rule, but later withdrew policy

Overview

- Payment adequacy
 - Access
 - Supply of providers
 - Volume of episodes
 - Quality
 - Access to capital
 - Medicare costs and payments

Supply remains high and beneficiaries have good access to care

- 86 percent of beneficiaries live in an area served by 5 or more HHAs; 99 percent of beneficiaries live in an area served by at least one HHA
- Number of HHAs is 12,204 in 2016
 - Small net decrease of 142 agencies in 2016 (-1.2 percent)
 - Number of agencies has increased 60 percent since 2004
- Decline concentrated in areas with rapid growth and targeted by recent counter-fraud efforts

Volume and spending decreased slightly in 2016

	Percent change				
	2002	2015	2016	2002-2015	2015-2016
Episodes (millions)	4.1	6.6	6.5	61%	-0.7%
Users (millions)	2.5	3.5	3.4	37%	0.1%
Episodes per user	1.6	1.9	1.9	17%	-0.9%
Share of FFS beneficiaries (percent)	7.2	9.1	9.0	26%	-0.8%
Medicare expenditures for home health (\$ billions)	9.6	18.1	18.1	87%	0.1%

Source: Home health SAF 2002-2016

Note: Data are preliminary and subject to revision.

Divergent trends for quality measures in 2016

		2013	2014	2015	2016
How is outcome data collected?	Percent of non-hospitalized patients with improvement at discharge in:				
Self-reported by HHA	Transferring	53	53	53	65
	Walking	58	58	58	69
Share of patients:					
Review of Medicare claims by CMS	Hospitalized during home health stay	15.6	15.2	15.5	16.2
	Using emergency care during home health stay	11.7	11.8	12.2	12.2

- VBP demonstration in 9 states begins in 2018
- Bonuses/penalties based on performance in 2016 relative to 2015

Source: University of Colorado
Data are preliminary and subject to revision.

Access to capital is adequate

- Less capital-intensive than other sectors
- Financial analysts conclude that large publicly-traded for-profit HHAs have access to capital markets

Financial performance of freestanding HHAs in 2016

	<u>Medicare Margin</u>
All	15.5 %
25 th	0.6
75 th	24.5
Majority Urban	16.6
Majority Rural	12.0
For-Profit	15.8
Non-Profit	13.4
Marginal Profit	17.4

Source: Home health cost reports
Note: Data are preliminary and subject to revision.

Medicare margins remain high despite reductions

	2013	2014	2015	2016
Medicare margin	12.7%	10.8%	15.6%	15.5%

- Patient Protection and Affordable Care Act (PPACA) mandated payment reductions in 2014 through 2017, but offset these reductions with annual payment updates.
- High margins contrast with industry projections of more severe impact of rebasing
 - One estimate called for 5 percent margin in 2014, 1 percent margin in 2015, and -3 percent margin in 2016
- Experience to date suggests that PPACA rebasing will not be sufficient to align payments with costs

Relatively efficient HHAs outperform other agencies in cost and quality

- Relatively efficient agencies compared to other HHAs :
 - Average costs per episode that were 5.6 percent lower and median Medicare margins that were 7.9 percentage points higher
 - Higher episode volume (larger in size)
 - Rate of hospitalization was lower
 - Provided similar services and served similar patients in most cases

Note: Data are preliminary and subject to revision.

Payment adequacy indicators are positive, similar to results from prior years

- Most beneficiaries live in an area served by multiple providers
 - Slight decline in number of providers
 - Number of users and volume of episodes increase slightly
- Functional quality measurements show improvement; adverse event measures did not change significantly
- Access to capital is adequate
- Margin for 2016: 15.5 percent
- Marginal profit for 2016: 17.4 percent