



Advising the Congress on Medicare issues

Assessing payment adequacy: home health services

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Overview

- Access
 - Supply
 - Volume
- Quality
- Access to capital
- Payments and Cost

Supply continues to grow and access to care is widespread

- 99 percent of beneficiaries live in an area served by home health
- Number of HHAs is over 10,400 in 2009 (through November)
 - Number of agencies has increased almost 50 percent since 2002
 - Average annual gain of 480 agencies a year since 2002

Rising supply raises payment adequacy and fraud abuse concerns

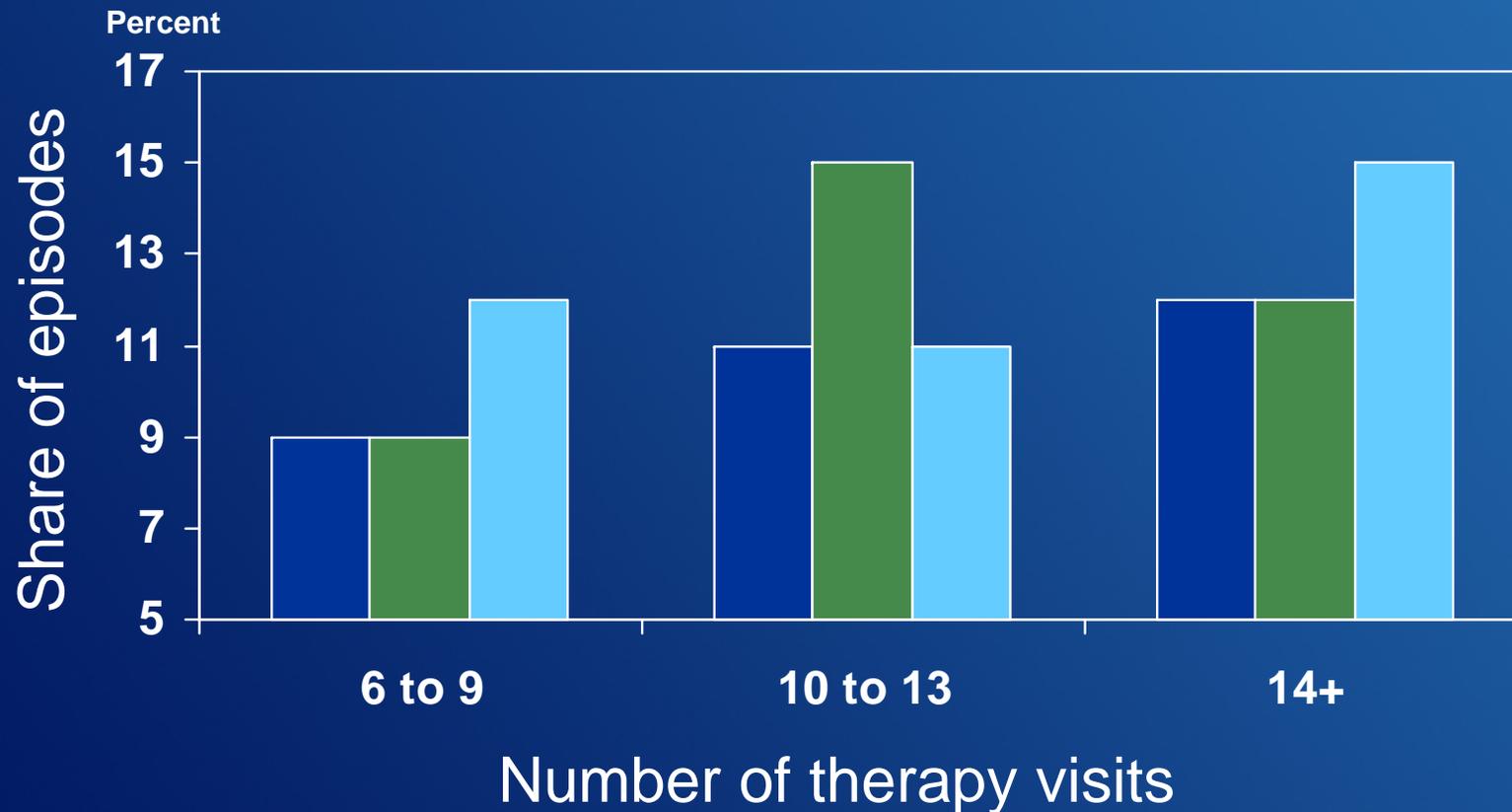
- Trends for new agencies in 2002-2009:
 - Almost all for profit
 - Concentrated in a few states and regions
- Concentration in areas that have had experienced fraud and abuse concerns
 - On-site examinations of agencies in LA and Houston
 - Miami outlier episode reviews

Volume of services and rate of use have increased

	Annual Change				
	2002	2007	2008	2002-2007	2007-2008
Users (millions)	2.5	3.1	3.2	4%	2%
Share of FFS beneficiaries (percent)	7.2	8.7	9.1	3%	4%
Episodes (millions)	4.1	5.8	6.1	7%	4%
Episodes per user	1.6	1.9	1.9	3%	2%

Source: Home health SAF 2002-2008

Provision of therapy services changed significantly in 2008

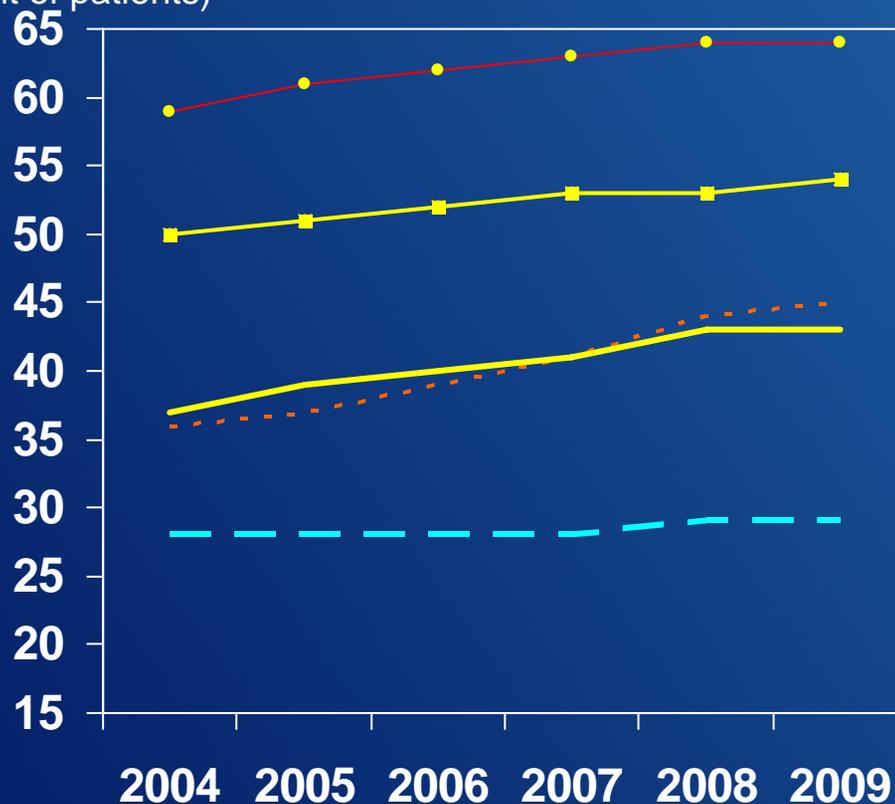


Source: Home health SAF 2002-2008

2002 2007 2008

Quality of care continues to improve on most indicators

(percent of patients)



Improvements in:

- - - Walking
- Getting out of bed
- Bathing
- Managing oral medications
- Patients have less pain
- - - Any hospital admission

Source: Home health compare

Note: Improvements in bathing and pain management measures have identical values; the trend lines for these measures overlap on the table above.

Access to capital is adequate

- Less capital intensive than other sectors
- Wall Street analysts conclude that large publicly-traded for-profit HHAs have access to capital markets
- Entry of new providers suggests adequate access to capital for expansion
 - Average annual gain of 480 providers

Financial performance of freestanding HHAs in 2008

	<u>Percent of HHAs</u>	<u>Margin</u>
All	100%	17.4%
25 th		2.0%
75 th		26.0%
Majority Urban	82%	17.8%
Majority Rural	18%	15.7%
For-Profit	86%	18.5%
Non-Profit	14%	14.3%

Visits per episode are lower than base year assumed in payments

	1998	2008	Change
Total	31.6	21.6	-32%
Physical Therapy	3.1	4.6	51%
Occupational Therapy	0.5	0.9	74%
Speech Language Pathology	0.2	0.2	-14%
Skilled Nursing	14.1	11.8	-16%
Medical Social Work	0.3	0.1	-57%
Home Health Aide	13.4	4.0	-70%

Source: Home health SAF 2008 and Federal Register 65, no. 128 (July 3): 41128-41214.

Variation in home health margins similar to other providers

- Range between high and low margin HHAs similar to other Medicare payment systems
- Variation could reflect inaccuracies in PPS
- Major findings (November presentation):
 - High margin agencies had 40 percent lower cost per episode; 7 percent higher case-mix
 - No difference in ADL limitations, chronic conditions, or quality composite score