Advising the Congress on Medicare issues

Updating payments for home health agencies

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Overview

- Access to care
- Supply of providers
- Access to capital
- Quality
- Volume
- Cost and Payments
- Recommendation

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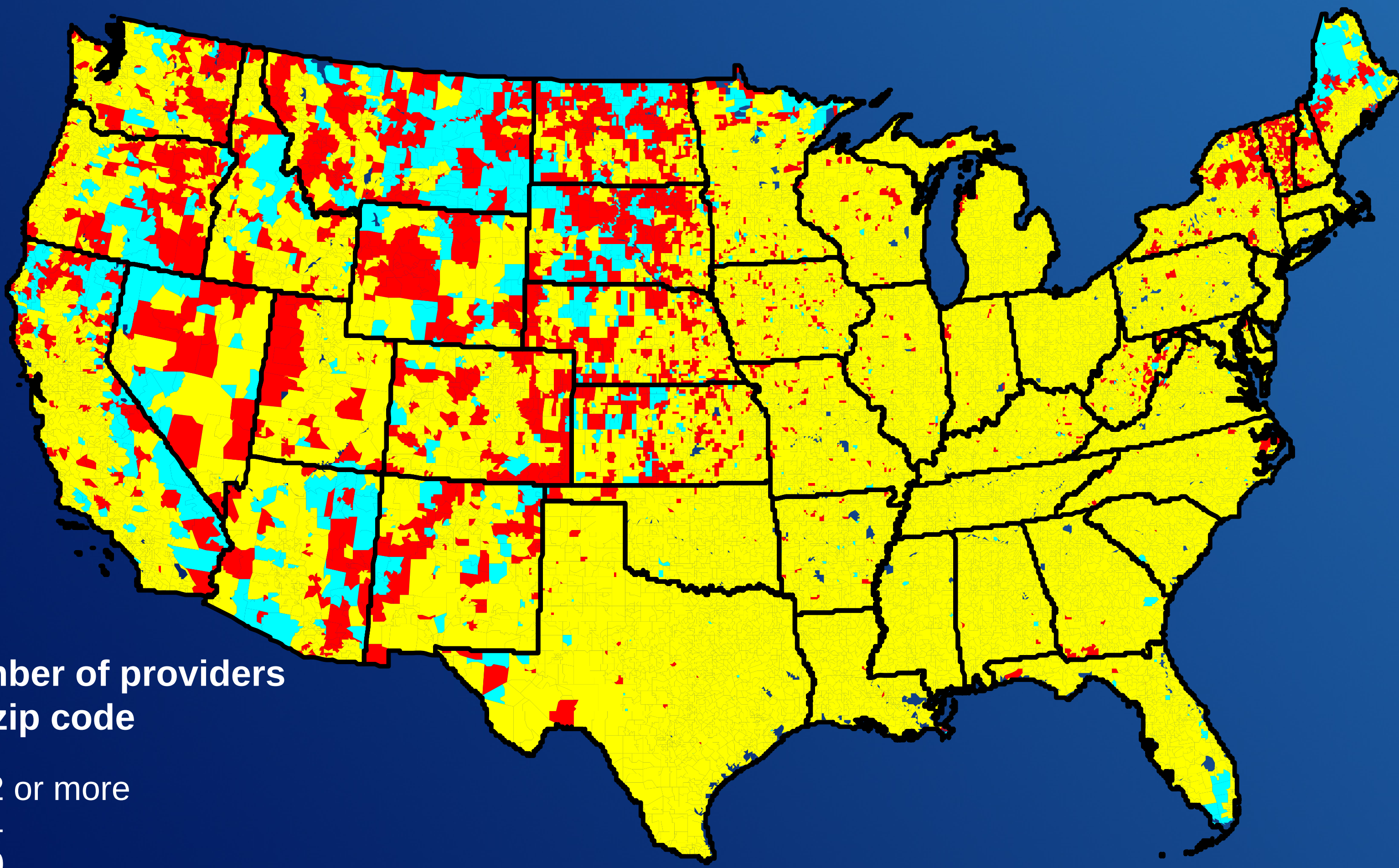
Home Health in 2007

- 9,404 providers participated
- $16 billion in benefit outlays
- 3.1 million beneficiaries served

Service areas of home health agencies, 2008



Number of providers by zip code

- 2 or more
- 1
- 0

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Source: Home health compare

Number of home health agencies and use of benefit continues to increase

	2003	2004	2005	2006	2007	2008	Cumulative Growth (percent)
Number of Users	2.7	2.8	2.9	3.0	3.1	NA	16%
Share of FFS enrollees using home health	7.6%	7.8%	8.2%	8.6%	8.9%	NA	18%
Agencies	7,335	7,797	8,305	8,949	9,404	9,676	32%
Agencies per 10,000 beneficiary	2.1	2.2	2.3	2.5	2.7	2.8	33%

Source: PDQ survey and certification database/Home health standard analytic file

- Share of users continues to rise
- Number of HHAs is below 1997 peak, but still increasing
- Most new agencies are for-profit
- Concentrated in certain states

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Concerns about home health fraud and abuse in 2008

- Rapid growth in agencies has raised concerns about integrity of benefit
- Enrollment demonstration in Houston, Texas, and Los Angeles, California
- Expanded to Miami-Dade County, Florida
  - Widespread outlier fraud
- Focus of survey activity shifted to oversight

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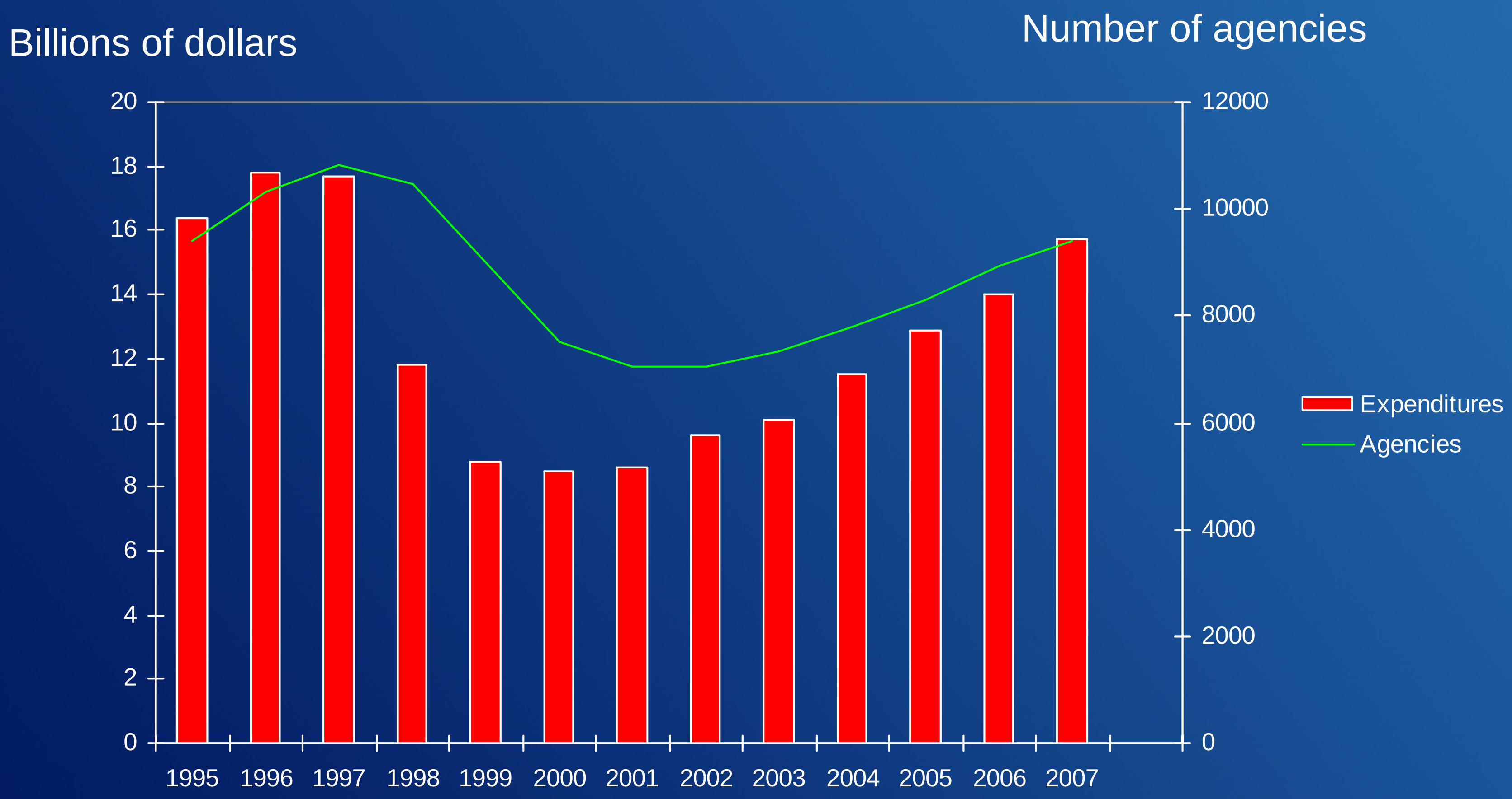
Home health care spending and supply



Access to capital

- Less credit intensive than other providers
- Borrow against receivables to finance cash needs
- Turmoil in credit markets has not significantly affected large publicly-traded agencies
- Credit is a small share of overall agency costs
- Entry of new providers suggests adequate access to capital for expansion

	2003	2004	2005	2006	2007	2008
Increase in agencies from prior year	283	462	508	644	455	272

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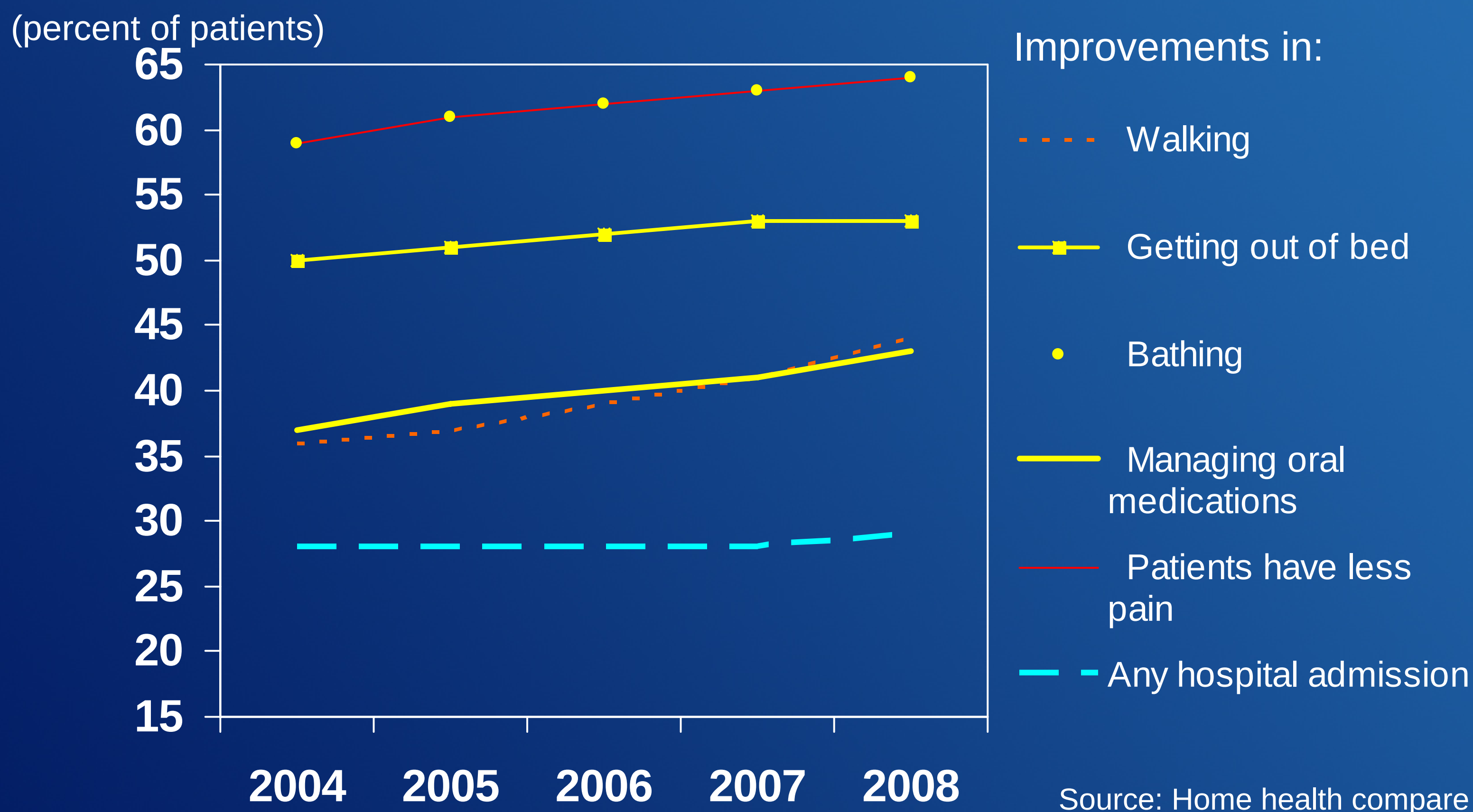
Quality of care



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.

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Volume of home health services is increasing

	2002	2004	2006	2007	Average Annual Percent Change 2002-2006	Average Annual Percent Change 2006-2007
Total Episodes (millions)	4.1	4.8	5.5	5.8	7.6	5.6
By episode type:						
Therapy-intensive Episodes* (millions)	0.9	1.2	1.5	1.6	11.9	11
All other episodes (millions)	3.2	3.6	4.0	4.2	6.2	3.6
Episodes per user	1.63	1.71	1.82	1.88	2.7	3.4

*Episodes with 10 or more therapy visits

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Projecting payments for 2009

- Home health CMI increased by about 13 percent in 2000-2005
  - 90 percent of increase in CMI – 11.8 percent – due to changes in coding practice, not patient severity
- Base rates reduced in 2008-2011:
  - 2008-2010: -2.75 percent (each year)
  - 2011: -2.71 percent

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Projecting payments for 2009

- New system of patient classification
  - 153 resource groups
  - New therapy thresholds
  - Case-mix weights updated from 1997/1998
  - Modest improvement in accuracy
- New system will yield change in coding practice that increases payment
  - Increase payment by 1.6 percent in 2008