



Advising the Congress on Medicare issues

Assessing payment adequacy and updating payments: Home health care services

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Overview

- Summary of benefit
- Review of current issues
- Payment adequacy analysis
- Chairman's draft review

Home health care summary 2017

- \$17.7 billion total Medicare expenditures (FFS)
- Over 11,800 agencies
- 6.3 million episodes for 3.4 million FFS Medicare beneficiaries
- About 3 percent of aggregate Medicare spending

Data are preliminary and subject to revision

Persistent issues in Medicare home health prospective payment system

- Medicare payments too high: margins have exceeded 10 percent since 2001
- System includes number of therapy visits provided in an episode as a factor in payment
 - Providing more therapy visits increases payments significantly
 - Episodes receiving additional payments for therapy account for increasing share of total episodes
- MedPAC recommended removal of therapy as a factor in payment in 2011

Major revisions to the payment system in 2020

- Bipartisan Budget Act of 2018:
 - Eliminates therapy as a payment factor in 2020
 - Implements a 30-day unit of payment
- CMS also plans to implement a new case-mix system
- CMS estimates that changes will raise payments for non-profit, hospital-based, and rural agencies; lower payments for for-profit, free-standing, and urban agencies

Framework for assessing payment adequacy

- Access
 - Supply of providers
 - Volume of episodes
 - Marginal profit
- Quality
- Access to capital
- Medicare costs and payments

Supply remains high and beneficiaries have good access to care

- 84 percent of beneficiaries live in an area served by 5 or more HHAs; 97 percent of beneficiaries live in an area served by at least one HHA
- Number of HHAs declined slightly to 11,844 in 2017
- Decline in supply concentrated in areas with rapid growth and targeted by recent counter-fraud efforts

Volume decreased slightly in 2017, but over long-term home health use has increased substantially

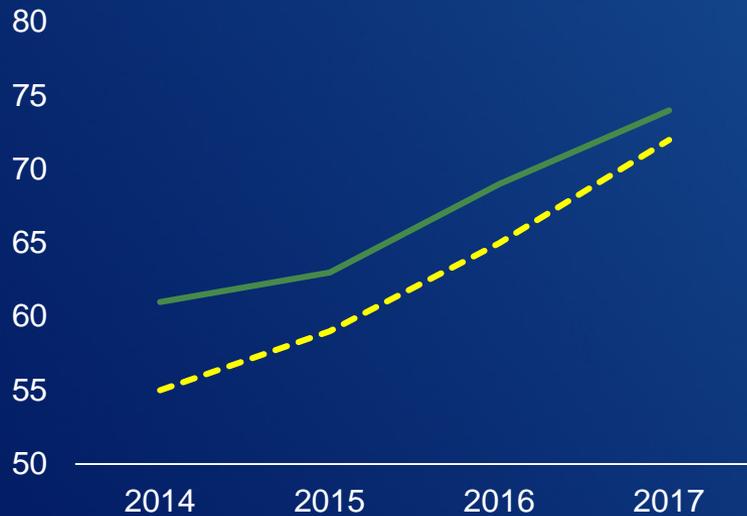
- Volume of episodes and number of users declined slightly in 2017
 - Episodes declined by 3.1 percent
 - Home health users declined 1.7 percent
- Since 2002, episodes have increased 58 percent and spending is up 89 percent
- Marginal profit in 2017 was 17.5 percent

Source: Home health SAF 2002-2017
Note: Data are preliminary and subject to revision.

Quality measures for 2017 continue pattern of divergent trends for provider-reported and claims-based measures

Provider-reported measures of patient function

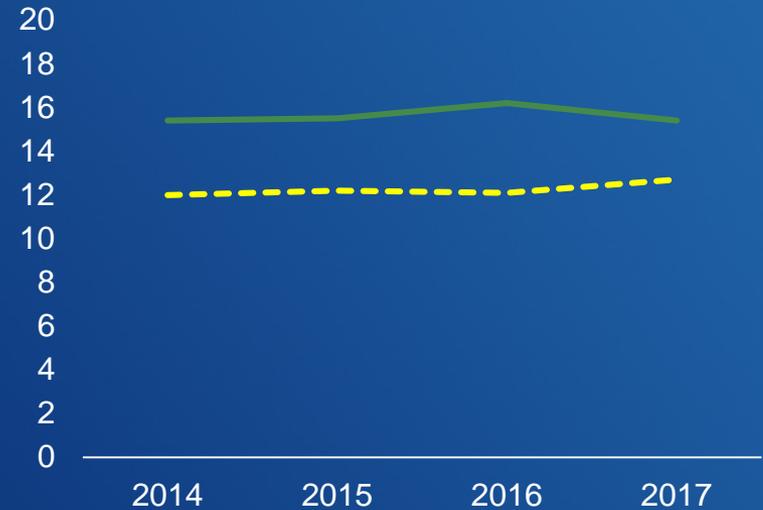
Percent



--- Improvement in transferring
— Improvement in walking

Claims-based measures of hospitalization and emergency department use

Percent



--- Hospitalization
— Emergency department use

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
- All-payer margins for HHAs equaled 4.5 percent in 2017

Financial performance of freestanding HHAs in 2017

	<u>Medicare Margin</u>
All	15.2 %
25 th	0.7
75 th	24.1
For-profit	16.4
Non-profit	12.0
Majority urban	15.8
Majority rural	13.4

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

Medicare margins remain high despite payment reductions

	2014	2015	2016	2017
Medicare margin	10.8%	15.6%	15.5%	15.2%

- Patient Protection and Affordable Care Act (PPACA) mandated payment reductions in 2014 through 2017, but offset these reductions with annual payment updates.
- Average payment per episode in 2017 (last year of rebasing) was five percent higher than 2013 (year prior to rebasing).

Data are preliminary and subject to revision

Relatively efficient home health agencies in 2016

- 318 HHAs (7%) met cost and quality criteria
- Efficient HHAs compared to other HHAs:
 - Median hospitalization rate: 12% lower
 - Higher annual volume (median of 653 episodes versus 494.5)
 - Standardized cost per episode: 15% lower
 - Medicare payment per episode: 5% higher
- High Medicare margin (25.8%) indicates the level of Medicare payments is too high

Data are preliminary and subject to revision

Maintaining budget neutrality in 2020 with implementation of new payment policies

- Statute requires that policy changes in 2020 must be budget neutral
- CMS has projected that payments will rise by 6.42 percent in 2020 due to these changes, and has planned an offsetting reduction
- Reduction in 2020 is intended to preserve budget neutrality; not intended to address high levels of payment

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

- Most beneficiaries live in an area served by multiple providers
 - Number of users and volume of episodes decreased slightly
 - Marginal Medicare profit for 2017: 17.5 percent
- Adverse event measures did not change significantly; functional quality measurements show improvement
- Access to capital is adequate
 - All-payer margin is 4.5 percent
- Medicare margin for 2017: 15.2 percent