

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

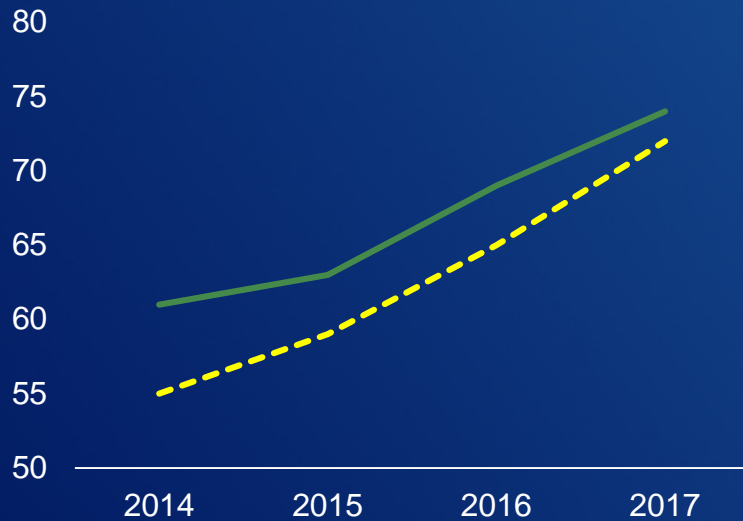
- Volume of episodes and number of users declined slightly in 2017
 - Episodes declined by 3.1 percent
 - Home health users declined 1.7 percent
- Since 2002, episodes have increased 58 percent and spending is up 89 percent
- Marginal profit in 2017 was 17.5 percent

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

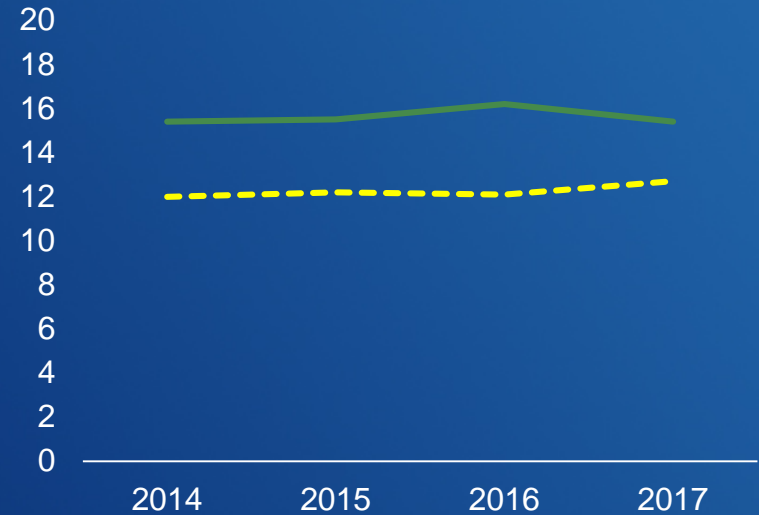
Percent



--- 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).

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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

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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