Advising the Congress on Medicare issues

Assessing payment adequacy: home health care services

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Payment adequacy framework

- Access to care
- Quality of care
- Access to capital
- Payment and costs

Key elements of Medicare home health policy

- Covers care for beneficiaries who are homebound
- Assists patients with transition to home after an acute event, though benefit coverage not tied to prior hospitalization
- Pays for care in 60 day episodes

Issues with Medicare with home health care

- Broadly defined benefit coverage
- History of fraud, waste and abuse
- Provider behavior sensitive to Medicare financial incentives

Home health summary 2011

- $18.4 billion total expenditures
- Over 12,000 agencies
- 6.9 million episodes for 3.4 million beneficiaries

Supply continues to grow and access to care is generally adequate

- 99 percent of beneficiaries live in an area served by home health
- Number of HHAs is over 12,199 in 2011
  - Number of agencies has increased 73 percent since 2002
  - Net increase of 512 new agencies in 2011
  - Growth concentrated in relatively few areas

Volume stable in 2011 after several years of rapid growth

	2002	2010	2011	Annual Change (percent) 2002-2010	Annual Change (percent) 2010-2011
Users (millions)	2.5	3.4	3.4	3.9%	0.7%
Share of FFS beneficiaries (percent)	7.2	9.5	9.5	3.5%	-0.1%
Episodes (millions)	4.1	6.8	6.9	6.6%	0.1%
Episodes per user	1.6	2.0	2.0	2.6%	-0.7

- Home health expenditures increased 93 percent between 2002 and 2011 to $18.4 billion

Source: Home health SAF 2011
Note: Data are preliminary and subject to revision.

Therapy utilization trends indicate need for PPS revisions

- The home health PPS uses amount of therapy provided as a payment factor
- The shifts in therapy utilization have generally coincided with the per visit payment thresholds Medicare has implemented
- Therapy services appeared to be overvalued
- Commission recommended eliminating the thresholds and using patient characteristics to set payment for therapy

Medicare implemented new safeguards for therapy, but thresholds remain in place

- New review requirement in 2011
  - Therapist must review need for additional therapy visits before the 14th and 20th therapy visit (30 percent of therapy episodes)
  - Episodes subject to this requirement declined in 2011, episodes not subject to it continued to increase
- Lowered payments for therapy in 2012 and increased them for non-therapy
- Therapy thresholds need to be eliminated

Functional outcomes improved slightly or were steady in 2012

Percent of non-hospitalized patients with improvement at home health discharge:	2011	2012
Transferring	51	52
Bathing	62	63
Walking	53	55
Medication management	43	45
Pain management	65	65

Source: Home Health Compare
Data are preliminary and subject to revision.

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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, though on less favorable terms than prior years
- Continuing entry of new providers suggests adequate access to capital for expansion

Financial performance of freestanding HHAs in 2011

	Medicare Margin
All	14.8%
25th	-0.3%
75th	22.8%
Majority Urban	14.8%
Majority Rural	15.3%
For-Profit	15.7%
Non-Profit	12.2%

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

Relatively efficient HHAs outperform other agencies in cost and quality

Compared to other HHAs relatively efficient agencies:

- Costs per visit that were 15 percent lower and Medicare margins that were 28 percent higher
- Larger in median size (episodes) by 29 percent
- Rates of hospitalization that were 20 percent lower
- Similar patients and provided similar services on most measures