Assessing payment adequacy and updating payments: home health care services

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Overview

- Access to care
- Quality of care
- Access to capital
- Payment and costs
- Potential home health readmissions reduction policy

Home health summary 2012

- $18 billion total expenditures
- Over 12,300 agencies
- 6.7 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 12,000 in 2012
  - Number of agencies has increased 76 percent since 2002
  - Net increase of 257 new agencies in 2012
  - Growth concentrated in relatively few areas

Volume and spending declined slightly in 2012 after several years of rapid growth

	2002	2011	2012	Annual Change (percent) 2002-2011	Annual Change (percent) 2011-2012
Users (millions)	2.5	3.4	3.4	3.5%	-0.2%
Share of FFS beneficiaries (percent)	7.2%	9.6%	9.4%	3.2%	-1.5%
Episodes (millions)	4.1	6.8	6.7	5.9%	-1.5%
Episodes per user	1.6	2.0	2.0	2.2%	-1.3%

- Since 2002:
  - Users increased 36 percent
  - Episodes increased 65 percent
  - Spending increased 89 percent

Source: Home health SAF 2012
Note: Data are preliminary and subject to revision.

Functional outcomes improved slightly or were steady in 2013

Percent of non-hospitalized patients with improvement at home health discharge:	2012	2013
Transferring	52%	52%
Bathing	63%	63%
Walking	55%	57%
Medication management	45%	46%
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

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Financial performance of freestanding HHAs in 2012

	Medicare Margin
All	14.4%
25th	-0.3%
75th	23.0%
Majority Urban	14.8%
Majority Rural	12.8%
For-Profit	15.2%
Non-Profit	12.0%

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

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Relatively efficient HHAs outperform other agencies in cost and quality

Relatively efficient agencies compared to other HHAs :

- Costs per visit that were 15 percent lower and Medicare margins that were 23 percent higher
- Higher episode volume (larger in size)
- Rates of hospitalization that were 23 percent lower
- Similar patients and provided similar services

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Payment reductions from rebasing in 2014 through 2017 will be modest

	2014	2015	2016	2017	Cumulative change
Annual base rate reduction net of rebasing reduction and annual payment increase	-0.5%	-0.4%	-0.2%	-0.5%	-1.6%

- Cumulative change is less then 2 percent because reductions for rebasing (-2.7 to -3.0 percent a year) are offset by annual payment update (+2.4 to +2.7 percent a year)
- CMS did not adjust rebasing target to account for 8 percent overstatement of costs uncovered by audit findings

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

- Access generally adequate
  - Number of HHAs continues to grow
  - Share of users and volume of episodes steady after several years of rapid increases
- Most quality measurements steady or small improvement
- Access to capital is adequate
- Margin for 2012: 14.4 percent

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Establishing a readmissions reduction policy for home health to align provider incentives

- Reducing readmissions is a priority for the Medicare program
  - Hospital Readmissions Reduction Program (HRRP)
  - New models of care (ACO, PCMH)
- Home health care is a common site of service for many post-hospital beneficiaries in these models
- About 29 percent of post-hospital home health stays result in readmissions

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Readmission rates vary widely and suggest opportunity for some providers to improve

- Providers with the highest rates (top quartile of readmission rates) averaged 58 percent compared to 26 percent for all other agencies
- Four states with high home health utilization and longer stays (Texas, Louisiana, Oklahoma and Mississippi) had an average readmissions rate of 38 percent
- Lower performing providers may present an opportunity for improvement that would benefit beneficiaries and potentially lower program costs

Financial elements of a readmissions reduction policy for home health care

- Agency performance compared to a fixed benchmark (i.e. 80th percentile of prior year)
- Agencies with excess readmissions over the benchmark would incur a penalty
  - Penalty would equal payments for home health episodes attributed to excess readmissions
  - Cap on maximum penalty size
- Providers can avoid any penalty by maintaining/lowering their rate below the benchmark

Elements of a potential readmissions reduction policy for home health care

- Compare providers to a peer group that serves a similar share of low-income beneficiaries
- Include all of home health stay and a 30 day follow-on period
- Clinical conditions included in measures could follow "all conditions-potentially preventable readmissions" approach Commission suggested for HRRP

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Modeling an illustrative readmissions reduction policy

- Modeled a policy based on 2010 performance
- Agencies above the 80th percentile for their peer group would be subject to a payment reduction
- Agencies would likely act to lower rates, but did not model this behavioral response – actual share of agencies subject to penalty could be lower.

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Share of agencies above benchmark by characteristic

- Nationally 20 percent of agencies would be above the benchmark
- 23 percent of profit agencies compared to 10 percent of non-profit agencies
- 21 percent of free-standing providers compared to 12 percent facility-based
- No difference between rural and urban agencies in the rate above the benchmark (20%)
- About 36% of agencies in the states with the highest rates of readmission and utilization were above the benchmark (TX, LA, OK, MS)

Benefits of establishing a home health readmissions reduction policy

- Align incentives of home health providers with other entities seeking to reduce readmissions
- Encourage providers with high readmission rates to improve performance
- Recognize that avoiding readmissions is a primary goal of home health care

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