



Advising the Congress on Medicare issues

Assessing payment adequacy and updating payments: home health care services

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Overview

- Background on home health
- Payment adequacy
- Review of mandated report

Home health summary 2013

- \$17.9 billion total expenditures
- Over 12,600 agencies
- 6.7 million episodes for 3.5 million beneficiaries

Issues in Medicare home health care

- Effective service when appropriately targeted
- Broadly defined benefit coverage
- History of program integrity issues

Issues in Medicare home health care

- Payment system rewards the provision of more therapy visits in an episode.
- Payments too high; do not reflect cost of typical episode

Payment adequacy framework

- Access to care
 - Supply of providers
 - Service use and volume
- Quality of care
- Access to capital
- Payment and costs

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 12,600 in 2013
 - Number of agencies has increased 65 percent since 2004
 - Net increase of 302 agencies in 2013
 - Growth concentrated in relatively few areas

Volume and spending declined slightly in 2013 after several years of rapid growth

| | | | | Percent change | |
|---------------------------------------|------|------|------|----------------|-----------|
| | 2002 | 2012 | 2013 | 2002-2012 | 2012-2013 |
| Episodes (millions) | 4.1 | 6.7 | 6.7 | 64.5 | -0.5 |
| Users (millions) | 2.5 | 3.4 | 3.5 | 36.6 | 0.9 |
| Episodes per user | 1.6 | 2.0 | 1.9 | 20.4 | -1.4 |
| Share of FFS beneficiaries (percent) | 7.2 | 9.2 | 9.3 | 28.2 | 0.5 |
| Medicare expenditures for home health | 9.6 | 18.0 | 17.9 | 88.5 | -0.6 |

Source: Home health SAF 2012

Note: Data are preliminary and subject to revision.

Quality measures did not change significantly in 2013

| Percent of non-hospitalized patients with improvement at home health discharge: | 2003 | 2012 | 2013 |
|---|------|------|------|
| Transferring | 49.1 | 54.6 | 53.8 |
| Walking | 34.8 | 58.3 | 58.5 |
| | | | |
| Hospitalization at end of episode | 27.5 | 27.5 | NA |

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

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
- Two large home health chains were acquired by health care firms seeking to expand home health business
- Continuing entry of new providers suggests adequate access to capital for expansion

Financial performance of freestanding HHAs in 2013

| | <u>Medicare Margin</u> |
|------------------|------------------------|
| All | 12.7% |
| 25 th | -3.4 |
| 75 th | 22.0 |
| Majority Urban | 13.1 |
| Majority Rural | 11.0 |
| For-Profit | 13.7 |
| Non-Profit | 10.0 |

Source: Home health cost reports

Note: Data are preliminary and subject to revision.

Relatively efficient HHAs outperform other agencies in cost and quality

Relatively efficient agencies compared to other HHAs :

- Costs per visit that were 12 percent lower and Medicare margins that were 41 percent higher
- Higher episode volume (larger in size)
- Rate of hospitalization was 24 percent lower
- Similar patients and provided similar services

Note: Data are preliminary and subject to revision.

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 | -0.6% | -0.6% | -0.4% | -0.4% | -2% |

- Cumulative change is less than 2 percent because reductions for rebasing (-2.8 to -3.0 percent a year) are offset by annual payment update (+2.3 to +2.5 percent a year)

Note: Data are preliminary and subject to revision.

PPACA rebasing unlikely to significantly affect quality or access

- Examined relationship of changes in payment to changes in quality and access in 2001 to 2012
- Utilization and agency supply has more than doubled in 2001 through 2012; past reductions did not impair access
- Functional measures improved while hospitalization rates did not change significantly regardless of direction of payment policy

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 2013: 12.7 percent

Note: Data are preliminary and subject to revision.