

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
- Chair's draft recommendation

Home health care summary 2019

- \$17.8 billion total Medicare expenditures (FFS)
- Over 11,300 agencies
- 6.1 million episodes for 3.3 million FFS Medicare beneficiaries
- About 4.4 percent of aggregate Medicare FFS spending

MedPAC's payment adequacy framework

Beneficiaries' access to care

- Capacity and supply of HHAs
- Volume of services
- Marginal profit

Quality of care

- Rate of successful discharge
- Share of home health periods with a hospitalization

HHA's access to capital

- All payer profitability
- Availability of credit for operations

Medicare payments and HHA costs

- Payments and costs
- Overall Medicare margins among all and efficient HHAs
- Projected overall Medicare margins

Update recommendation for home health PPS base rates

Persistent issues in Medicare home health prospective payment system

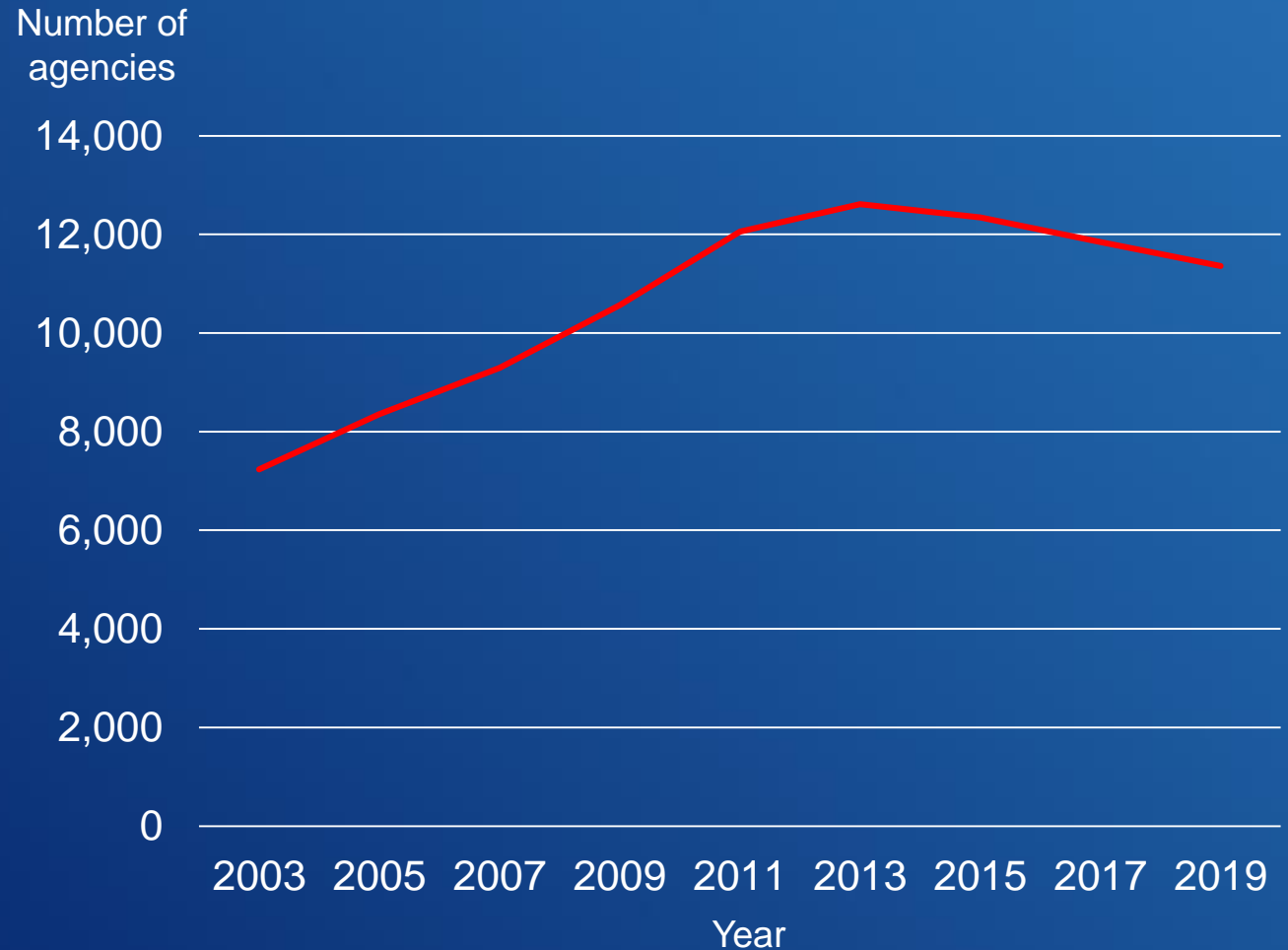
- Medicare payments too high: Margins have averaged over 16 percent since 2001
 - MedPAC has consistently recommended payment reductions for home health
- Until 2020 PPS included number of therapy visits provided in an episode as a factor in payment
 - Providing more therapy visits increases payments 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:
 - Eliminated therapy as a payment factor in 2020
 - Required a 30-day unit of payment
- CMS also implemented a new case-mix system (Patient-Driven Groupings Model)
- CMS estimated that new case-mix system will:
 - raise payments for non-profit, hospital-based, and rural agencies
 - lower payments for for-profit, free-standing, and urban agencies

Supply remains high and beneficiaries have good access to care

- 86 percent of beneficiaries live in a ZIP code area served by 5 or more HHAs; 99 percent in ZIP code with at least one HHA
- Number of HHAs declined 1.7 percent to 11,356 in 2019
- Decline in supply concentrated in areas with rapid growth and targeted by recent counter-fraud efforts

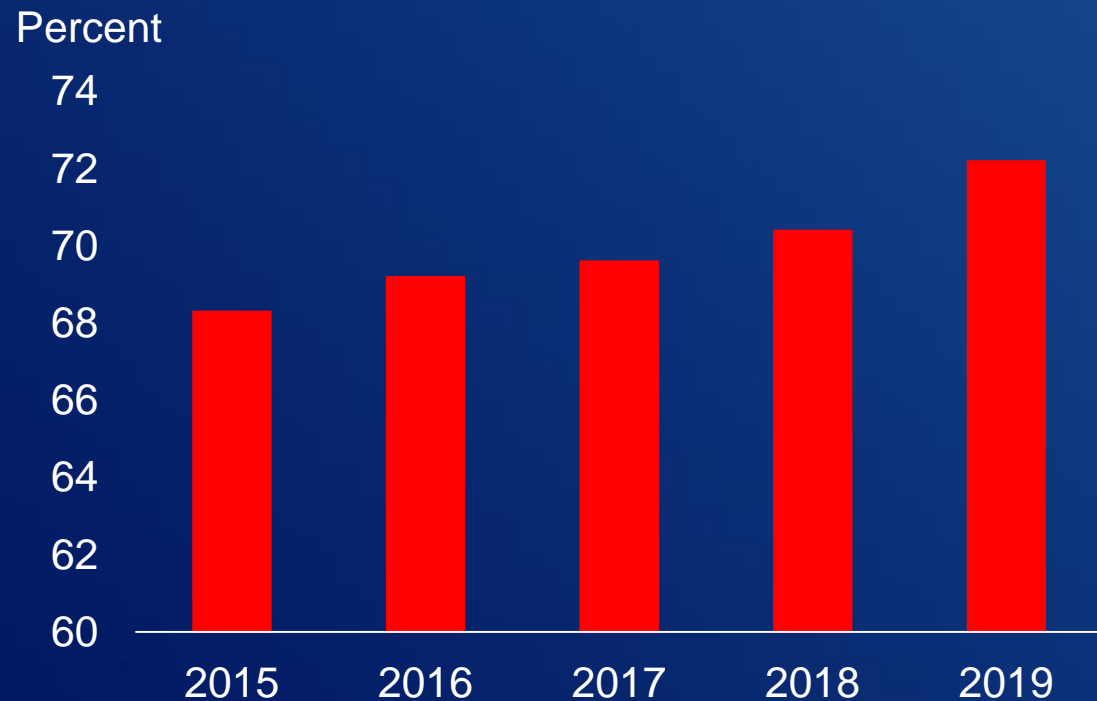


Home health volume has been decreasing since 2011

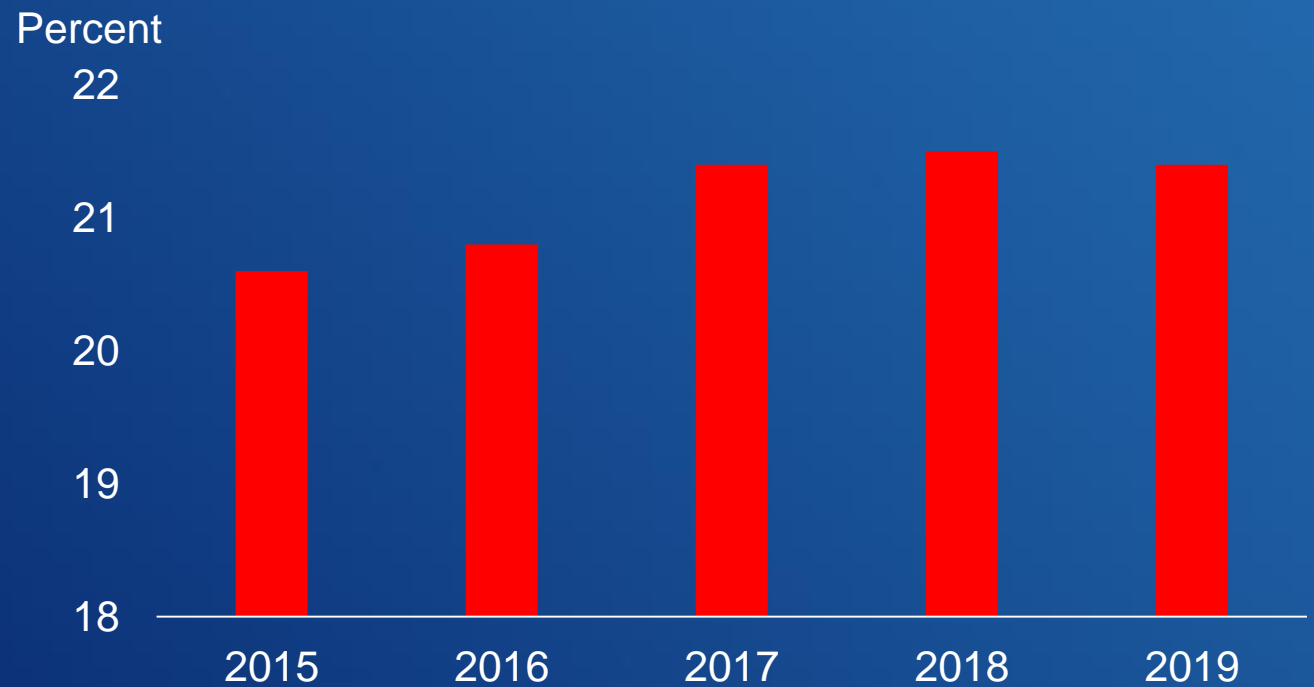
- Between 2011 and 2019, the number of home health episodes per FFS beneficiary declined by 13.7 percent
- Decline in volume since 2011 has been concentrated in states that experienced higher-than-average growth in prior period
- Marginal profit in 2019 was 18 percent

Mixed performance on quality measures

Share of home health spells successfully discharged to the community



Share of home health spells with a hospitalization



Source: MedPAC analysis of home health standard analytic file, inpatient hospital claims, and OASIS data; Data are preliminary and subject to revision.

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 margin for HHAs: 5.9 percent in 2019

Financial performance of freestanding HHAs in 2019 continues to be strong

| | <u>Medicare margin</u> |
|-----------------------------|------------------------|
| All | 15.8% |
| 25 th percentile | 3.0 |
| 75 th percentile | 24.5 |
| For-profit | 17.2 |
| Non-profit | 11.0 |
| Majority urban | 16.1 |
| Majority rural | 13.9 |

Performance of relatively efficient home health agencies in 2019

- 532 HHAs (14 percent) met cost and quality criteria
- Efficient HHAs compared to other HHAs:
 - Median hospitalization rate: 5.1 percentage points lower
 - Higher annual volume (median of 737 episodes versus 640)
 - Standardized cost per episode: 14 percent lower
 - Similar patient severity/case-mix
- Median Medicare margin for efficient provider is 23.4 percent; indicates the level of Medicare payments is too high

Effect of pandemic on home health care

- COVID-19 emergency reduced volume in spring of 2020
 - HHAs also reported an increase in declined services; lower payments
 - Subsequently firms have reported volume and payment returning to near or at pre-emergency levels
 - HHAs reported increase in telehealth visits and higher rate of cases with short stays
- HHAs have incurred some additional costs (e.g., for personal protective equipment and testing)
- Federal grants and loans received by some providers and temporary policy changes (e.g., flexibility to use telehealth visits) have helped ease the financial effects on providers

Summary: Home health payment adequacy indicators are positive

| Beneficiaries' access to care | Quality of care | Access to capital | Medicare payments and HHA costs |
|--|--|---|--|
| <ul style="list-style-type: none">• 99 percent live in a ZIP code with at least one HHA• Volume decreased; unrelated to payment levels• Positive marginal profits (18 percent) | <ul style="list-style-type: none">• Rates of successful discharge increased• Small decrease in hospitalizations | <ul style="list-style-type: none">• Positive all-payer profit margin (5.9 percent)• Large for-profits continue to have access to capital | <ul style="list-style-type: none">• 15.8 percent Medicare margin in 2019 (efficient provider median margins over 23 percent) |
| Positive | Positive | Positive | Positive |