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

Home health summary 2011

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

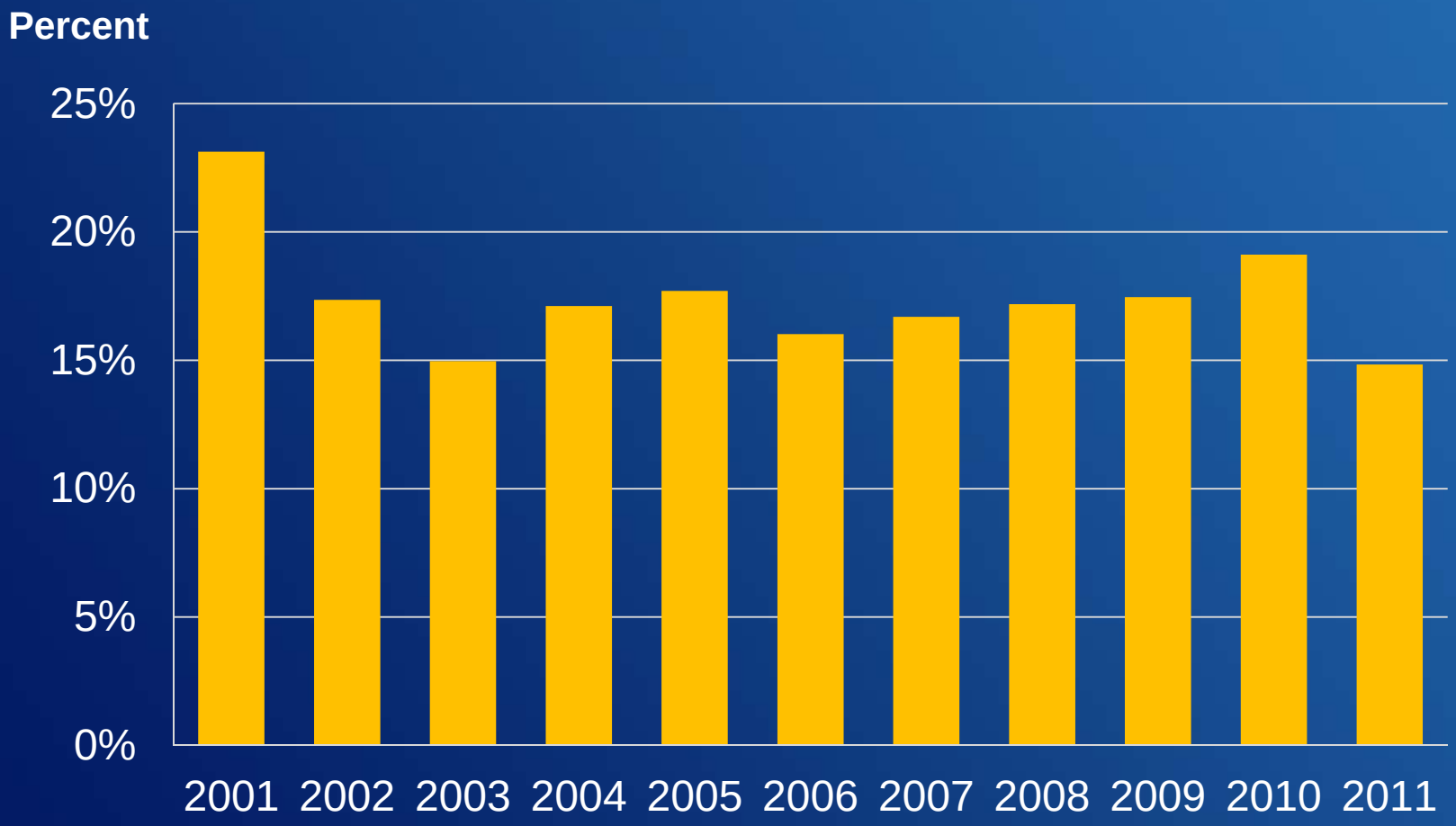
Adequacy indicators for 2014

Indicator	Assessment
Supply of providers	About 99% of FFS beneficiaries live in area served by home health in 2011; over 12,000 HHAs
Volume of services	Number of episodes increased 65 percent in 2002-2010, trend flat in 2010-2011
Access to capital	HH less-capital intensive then other sectors; entry of over 700 providers in 2011

Adequacy indicators for 2014

Indicator	Assessment
Quality	Functional outcomes improved slightly or were steady in 2011
Financial performance	14.8 percent Medicare margins in 2011; projected margin of 11.8 percent for 2013

Medicare has consistently overpaid for home health since 2001



Source: Medicare cost reports

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Relatively efficient HHAs outperform other agencies in cost and quality

Compared to other HHAs relatively efficient agencies:

- Lower costs, larger median size (volume), lower rates of hospitalization
- Lower share of community-admitted episodes (51% compared to 60%)
- More likely to be located in the West, Pacific, and New England regions (less likely to be from Southeast and Southwest)

Comparison of agency financial performance and patient/service characteristics

- HHAs that provided more therapy episodes had higher margins in 2010
  - CMS revised payments in 2012
- Agencies with very high shares of Medicare/Medicaid patients (top quintile) and very high shares of community-admitted episodes had lower margins than other agencies
  - Agencies in these very high groups were disproportionately from Texas and other high-utilization states

High rates of home health use concentrated in a few states

Home health episodes per 100 FFS beneficiaries

	All states	Top 5 states	All other states
All areas	18	35	14
Urban	18	34	14
Rural	17	39	12

Source: Home Health Standard Analytic File

Note: *Top 5 category includes the states with the highest rates of episodes per beneficiary in 2011: Florida, Louisiana, Mississippi, Oklahoma, and Texas*

- Reducing utilization in the top 25 counties to 75th percentile (18.5 episodes per 100 beneficiaries) would have lowered spending by $840 million or 5 percent in 2011

Medicare margins were lower in states with high utilization

	2010	2011
Top 5 states	14.4%	11.4%
All other	19.8%	15.3%
Total	19.4%	14.8%

Source: Medicare cost reports

Note: Top 5 category includes the states with the highest rates of episodes per beneficiary in 2011: Florida, Louisiana, Mississippi, Oklahoma, and Texas

Majority of rural add-on payments are received by high-use counties

Rural counties ranked by episodes per beneficiary (quintiles)	Percent of all episodes qualifying for rural add-on
Bottom quintile (lowest use)	4%
2	12%
3	13%
4	21%
Top quintile (highest use)	50%

Source: Home Health Standard Analytic File

Note: Quintile groups (cutpoints) are set based on utilization in all counties (rural and non-rural)

Medicare payment for services provided to beneficiaries at home

- Services in the home also covered under the Part B fee schedule
- Includes services such as evaluation and management visits, therapy, counseling
- Fee schedule payment for similar services is typically lower then home health payment
  - Ex: Part B pays $87 for a 45 minute home visit, HH PPS average payment is about $187

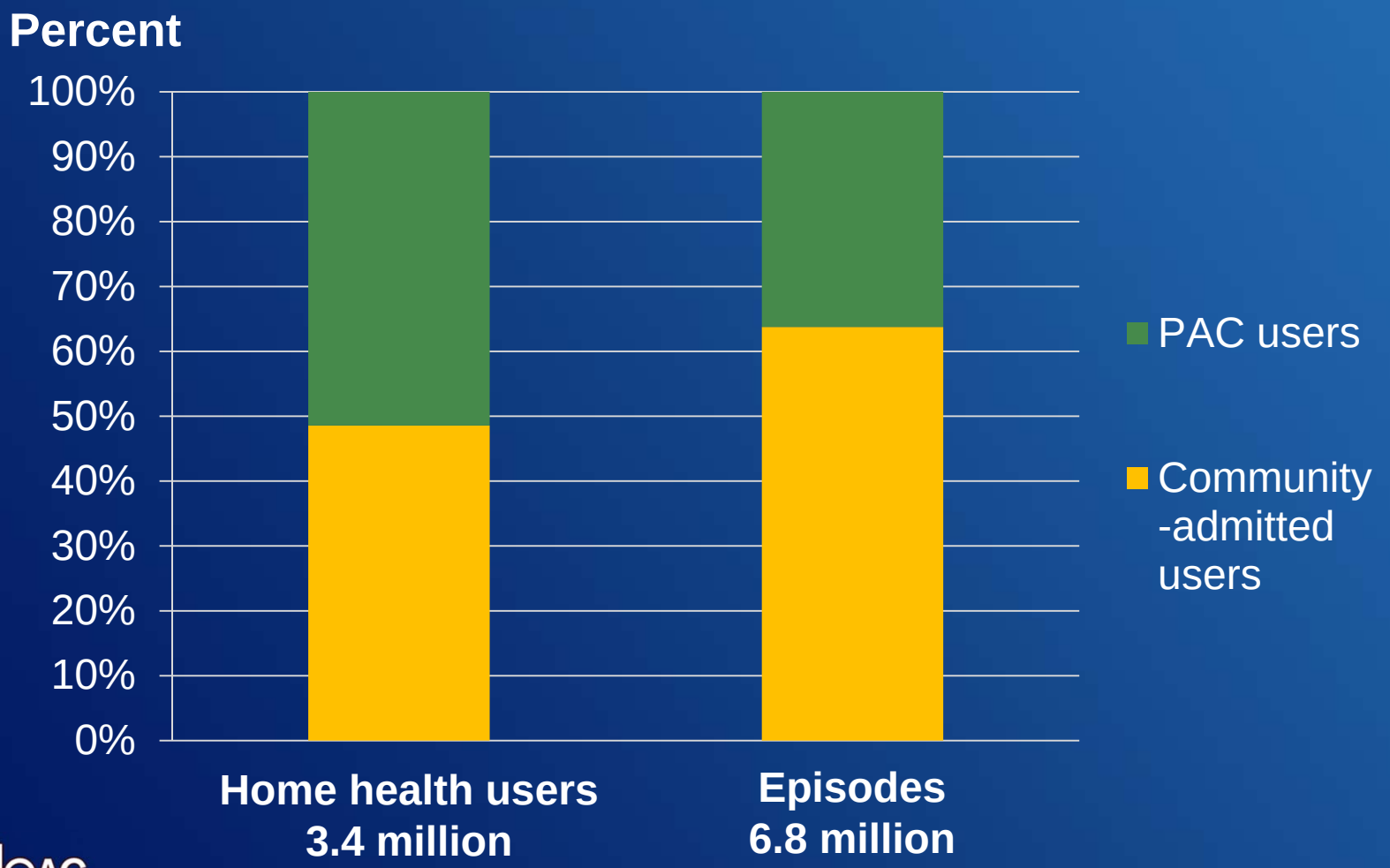
Chairman's proposal: Maintain recommendation from 2011 and 2012

The Congress should direct the Secretary to begin a two-year rebasing of home health rates in [2013] and eliminate the market basket increase in [2012].

Spending implications: $750 million to $2 billion in 2014 and 5 to 10 billion over 5 years.

Beneficiary and provider implications: Some contraction from the current high level of supply; remaining supply should be adequate to provide adequate access to care.

Community-admitted users account for about half of all home health users and 64 percent of episodes in 2010



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Source: Home Health Datalink File

Community-admitted home health users had fewer chronic conditions and needed more functional assistance

	Community Admit	PAC
Number of users (million)	1.7	1.8
Number of episodes (million)	4.4	2.5
Mean number of chronic conditions per user	3.8	4.2
Share of beneficiaries (percent):		
With dementia/Alzheimers	29%	21%
Over 85+	25%	19%
Minority	25%	14%
Share of episodes (percent):		
Medicare/Medicaid Dual eligible	57%	24%
High rates of home health aide use	11%	4%

PPACA initiatives with potential roles for home health

- Bundled Payment for Care Improvement (BPCI)
- Community-based Care Transitions Initiative
- Independence at Home
- Others (ACOs, medical homes)

Conclusion

- Questions