



*Advising the Congress on Medicare issues*

# Medicare coverage of and payment for home infusion therapy

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# Congressionally requested home infusion report due June 2012

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- Literature on the benefits and costs of home infusion coverage
- Sources of data on the costs of home infusion that could be used to construct a payment methodology
- Payment methodologies used by private plans and MA
- Any issues surrounding potential abuse of a home infusion therapy benefit in Medicare
- Recommendations requested if the Commission determines changes to coverage or payment are warranted

# Presentation roadmap

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- Medicare coverage of home infusion
- Assessment of cost data
- Cost implications of home infusion
- Design options

# Medicare coverage of home infusion

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- Coverage of home infusion is spread across silos
- Drug coverage
  - Part B covers: DME drugs, parenteral nutrition, IVIG for PID
  - Part D covers: drugs not covered by Part B and on plan's formulary
- Coverage of supplies, equipment, and nursing generally depends on:
  - is the drug covered by Part B or Part D?
  - is the beneficiary homebound?

# Assessment of sources of cost data on home infusion

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- Cost data are very limited
- Industry sponsored study has limitations that make it not well-suited for rate setting
- Alternate sources of data
  - Payment rates for similar services in other Medicare payment systems
  - Competitive bidding

# Literature on cost implications of home infusion is limited

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- Most studies are dated and do not examine the implications of home infusion from Medicare's perspective
- Main finding: a day of home infusion costs less than a day of inpatient hospital or SNF care
- One study models the effect of a hypothetical Medicare home infusion benefit for antibiotics. Whether it yields net savings or costs depends on assumptions.

## Cost implications of expanded home infusion coverage depend on many factors

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- How much would Medicare pay for home infusion services?
- How does that compare to what Medicare pays for infusions in alternate settings?
  - Inpatient hospital savings unlikely
  - SNF and home health savings possible in some circumstances
  - Shift from ambulatory settings to home may save or cost depending on many factors

## Cost implications of expanded home infusion coverage depend on many factors (cont.)

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- How much additional costs would Medicare incur due to
  - crowd out of other payers
  - woodwork effect (i.e., induced demand)
- Other potential sources of costs/savings?
- Bottom line: net savings or costs depend on combined effect of all dynamics



# Illustrative scenarios

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- Cost implications of home infusion coverage vary by drug and diagnosis
- Possibility of savings higher:
  - If home infusion substitutes for SNFs stays or possibly home health episodes
  - If nurse is not needed for every administration
  - Depending on payment rates for home infusion
- Constructed illustrative scenarios for two drugs that may have a possibility, but not certainty, of net savings

# Implications of expanded home infusion coverage based on illustrative scenarios

	Antibiotics	IVIG for PID
<b>Shift to home infusion from:</b>		
<b>SNFs</b>	Save (if patient is a candidate for home infusion)	Not applicable
<b>Outpatient hospital</b>	Save or cost	Cost
<b>Home health benefit</b>	Save or cost	Not applicable
<b>Other</b>	Not applicable	Save if IVIG substituted for subcutaneous IG
<b>Crowd out effect</b>	Cost	Cost
<b>Woodwork effect</b>	Cost	Minimal
<b>Net effect***</b>	Uncertain	Uncertain

\*\*\*The net effect is uncertain because it depends on the number of beneficiaries that are in each row of the table and the amount of net savings or costs per beneficiary in each row (which depends on the payment rates for home infusion, the frequency of nurse visits, frequency of drug administration, and other factors).

## Policy options if the Congress wishes to address home infusion issues

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- Option 1: maintain current policies
- Option 2: fill FFS coverage gaps
- Option 3: design a demonstration project testing broader coverage of home infusion for antibiotics
- Any broadening of coverage should account for increased spending due to crowd out of current coverage sources and the woodwork effect

# Medicare coverage of home infusion is limited leading to gaps

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- Medicare coverage depends on drug, diagnosis, and equipment needs
- Congress could expand coverage to fill gaps on a limited basis (e.g., nursing for PID patients needing IVIG) or more broadly (e.g., covering supplies and equipment for IV antibiotics)
- Managing expanded coverage within FFS would be difficult and could be costly

## A demonstration project testing coverage of home infusion for antibiotics in FFS

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- Could allow us to evaluate whether a home infusion benefit for antibiotics improves quality and saves money compared to current options
- Would need management controls like prior authorization which would be difficult to implement under FFS
- Would be a challenge to determine an appropriate control group

# Demonstration entails significant design issues

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- Who would participate?
- What would the payment cover?
- How would payment be set?
- Would the drug be included in the payment? If so, what would the payment rate be?
- How would beneficiary out-of-pocket costs be determined?

# Summary of report findings

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- Is there useful literature relating to the benefits and costs of providing coverage for home infusion therapy under the Medicare program?
  - Literature is dated and does not take account of comparative costs under FFS Medicare. Based on our analyses, whether home infusion yields costs or savings depends on cost of alternate settings, payment rates, frequency of infusion, number of nursing visits needed, and the crowd out and woodwork effect.
- Are there sources of data on the costs of home infusion that could be used to construct a payment methodology?
  - Data are very limited. Some Medicare payment rates might serve as benchmarks.

# Summary of report findings (cont.)

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- Are the payment methods used by private plans and MA applicable to Medicare FFS?
  - Most common method is separate payments for drugs, nursing, and a per diem for supplies, equipment, and services. Other methods are also possible.
- What are the issues surrounding potential abuse of a home infusion therapy benefit in Medicare?
  - Plan representatives did not find evidence that abuse is more prevalent in home infusion than other services. They questioned how the kind of management they used could be implemented in FFS.