



Advising the Congress on Medicare issues

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

				Annual Change (percent)	
	2002	2011	2012	2002-2011	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.

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

Financial performance of freestanding HHAs in 2012

	<u>Medicare Margin</u>
All	14.4%
25 th	-0.3%
75 th	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.

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

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 than 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

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

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

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

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.

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