Assessing payment adequacy and updating payments: Home health care services; and Mandated report on Bipartisan Budget Act of 2018 changes to the home health payment system

Evan Christman
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$17.1 billion total Medicare expenditures (FFS)
3.1 million beneficiaries received care
Over 11,400 agencies
Home health care experienced two major events in 2020 that affect analysis

- Coronavirus public health emergency:
  - Tragic and disproportionate effects on Medicare beneficiaries and health care workforce
  - Disrupted demand for home health care
  - PHE-related policies affected mix and amount of home health services provided
    - COVID relief funds/suspension of sequester
    - Expansion of telehealth; presumptive homebound policy

- Bipartisan Budget Act of 2018 (BBA 2018) required major changes to home health prospective payment system
  - New policies could affect mix and amount of home health care services provided
Bipartisan Budget Act of 2018 required major changes to the home health PPS

- BBA 2018 required on January 1, 2020:
  - Elimination of therapy as a payment factor in 2020 (recommended by Commission in 2011)
  - 30-day unit of payment
- CMS implemented these changes through a new case-mix system (Patient-Driven Groupings Model or PDGM)
- BBA 2018 requires MedPAC to provide an interim analysis of the impact of the changes by March 15, 2022
- Assessing the impact of new payment policies is confounded by the disruption of the PHE
March 2022 home health care chapter will assess payment adequacy and impact of PDGM

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<tr>
<th>Beneficiaries’ access to care</th>
<th>Quality of care</th>
<th>HHAs’ access to capital</th>
<th>Medicare payments and HHA costs</th>
<th>Mandated report on Bipartisan Budget Act of 2018 changes to home health care payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Capacity and supply of HHAs</td>
<td>• Rate of successful discharge</td>
<td>• All payer profitability</td>
<td>• Payments and costs</td>
<td>• Section 51001 requires the Commission to analyze impact of payment changes on quality of care, cost of services, and other behavioral changes</td>
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<tr>
<td>• Volume of services</td>
<td>• Share of home health periods with a hospitalization</td>
<td>• Availability of credit for operations</td>
<td>• Overall Medicare margins among all and efficient HHAs</td>
<td></td>
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<tr>
<td>• Marginal profit</td>
<td></td>
<td></td>
<td>• Projected overall Medicare margins</td>
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Update recommendation for home health PPS base rates

Note: PPS (prospective payment system).
Access to care: Supply remains high and beneficiaries have good access to care

- 88 percent of beneficiaries live in a county served by 5 or more HHAs; 99 percent in county with at least one HHA
- Decline in number of HHAs slowed from average -1.7 percent a year from 2013 to 2019 to -1.0 percent in 2020
- HHAs had a marginal Medicare profit of 22.9 percent in 2020

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<tbody>
<tr>
<td></td>
<td>12,788</td>
<td>11,701</td>
<td>11,571</td>
<td>11,456</td>
<td>-1.7%</td>
<td>-1.0%</td>
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</table>
Access to care: decline in home health care in 2020 mostly at onset of public health emergency

- Share of FFS beneficiaries using home health care declined by 4.7 percent
- Decline in services concentrated in April 2020 and May 2020, with recovery in later months (indicates change not related to PDGM)

Source: Home Health Standard Analytic File; Data are preliminary and subject to revision.
HHAs served similar beneficiaries after the implementation of PDGM

- Distribution of 30-day periods in 2020 similar to 2019 for several factors in PDGM:
  - Share of periods admitted from the community vs. post-hospital
  - Share of first periods and subsequent periods
  - Share of periods qualifying for LUPA (low-visit periods)
  - Share of periods by clinical category (primary reason for home health care)

- Some increase in share of 30-day periods with high levels of functional debility and certain co-morbidities
  - May reflect changes in HHA coding practices

- CMS-HCC risk scores for beneficiaries that used home health care declined slightly in 2020

Data are preliminary and subject to change
In-person visits declined in 2020, mostly due to therapy, but decline was likely offset by increase in telehealth services

- In-person home health visits declined by 18.6 percent in 2020
  - 2019: 10.2 in-person visits per 30-day period
  - 2020: 9.2 in-person visits per 30-day period
- Almost all of the decline is attributable to fewer in-person therapy visits
- Increased use of telehealth by HHAs offset decline in in-person visits
- No detailed information on telehealth services is reported to Medicare (type or frequency)

Data are preliminary and subject to change
Quality of home health care is difficult to assess in 2020

- Performance on quality measures in 2020 was mixed:
  - Rate of successful discharge to community declined (decline in quality)
  - Hospitalization rate during home health spell declined (improvement in quality)
- Results for 2020 may reflect impact of PHE
- Higher mortality rate for Medicare beneficiaries likely lowered rate of successful discharge in 2020
- Risk adjustment model was developed based on data prior to the public health emergency

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: 8.1 percent in 2020
  - 9.9 percent all-payer margin including PHE relief funds
Assessing payments in 2020

- Spending declined by 4.7 percent in 2020 to $17.1 billion
- Medicare implemented a new unit of payment in 2020
- Computed payment per in-person visit for 2019 and 2020 from total payments and total visits for each year
  - 2019: $180 per in-person visit
  - 2020: $209 per in-person visit
- Increase in payment per in-person visit reflects that several policies increased payment in 2020 (payment update) and that average visits per period declined in the first year of PDGM
Medicare financial performance of freestanding HHAs in 2020 continues to be strong

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<th>Category</th>
<th>Medicare margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>20.2%</td>
</tr>
<tr>
<td>25&lt;sup&gt;th&lt;/sup&gt; percentile</td>
<td>4.1</td>
</tr>
<tr>
<td>75&lt;sup&gt;th&lt;/sup&gt; percentile</td>
<td>31.8</td>
</tr>
<tr>
<td>For-profit</td>
<td>22.7</td>
</tr>
<tr>
<td>Non-profit</td>
<td>12.4</td>
</tr>
<tr>
<td>Majority urban</td>
<td>20.0</td>
</tr>
<tr>
<td>Majority rural</td>
<td>21.6</td>
</tr>
<tr>
<td>Including COVID-related relief funds</td>
<td>21.9</td>
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Source: Home health cost reports; Data are preliminary and subject to revision.
Performance of relatively efficient home health agencies in 2020

- 463 HHAs (15 percent) met cost and quality criteria
- Efficient HHAs compared to other HHAs:
  - Median hospitalization rate: 3.4 percentage points lower
  - Fewer visits per period
  - Standardized cost per period: 1 percent lower
  - Similar patient severity/case-mix
- Median Medicare margin for efficient provider is 24.3 percent; indicates the level of Medicare payments is too high

Data are preliminary and subject to revision
Summary: Home health payment adequacy indicators are positive

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<td>99% live in a county with at least one HHA</td>
<td>Unique circumstances of PHE confound our measurement and assessment of quality</td>
<td>• Positive all-payer profit margin (8.1%)</td>
<td>• 20.2% Medicare margin in 2020 (efficient provider median margins over 24%)</td>
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<td>Volume decreased; related to PHE</td>
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<td>• Large for-profits continue to have access to capital</td>
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<td>Positive marginal profits (22.9%)</td>
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BBA 2018 changes to home health care payments did not appear to have a negative effect on access or quality of home health care in 2020, though PHE and lack of telehealth information confounds measuring the impact of these changes.
Improving the reporting of telehealth services provided during periods of home health care

- Lack of detailed information on the delivery of telehealth services during home health care limited our ability to characterize the impact of the PHE and PDGM
- Difficult to analyze services provided by HHAs if a major category of services is omitted
- Payment weights under the home health PPS may be less accurate without this information
- Medicare already requires detailed information on in-person visits provided by HHAs