Assessing payment adequacy and updating payments: Home health care services

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MEDPAC

MedPAC's payment adequacy framework: Home health care services

Access to care

- Supply and capacity
- Volume of services
- Marginal profit

Quality of care

- Successful discharge to the community
- Hospitalization

Access to capital

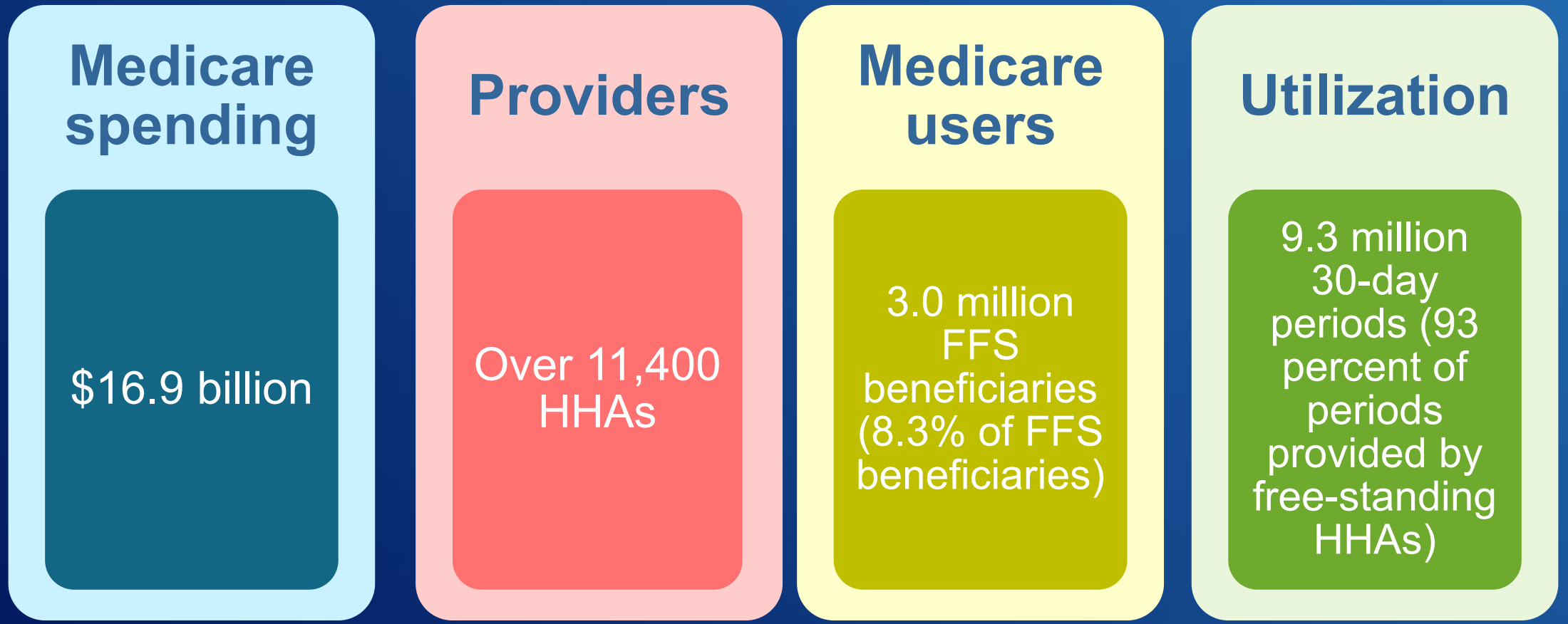
- All-payer profitability

Medicare payments & providers' costs

- Payments and costs
- Relatively efficient providers' margins
- Margins and projected margins

Update recommendation for payment system base rates

Overview of the home health care sector in 2021



HHA (home health agency); FFS (fee-for-service)

Data are preliminary and subject to change

Bipartisan Budget Act of 2018 required major changes to the home health payment system

- BBA 2018 required on January 1, 2020:
  - 30-day unit of payment
  - Elimination of therapy as a payment factor in 2020 (recommended by Commission in 2011)
- CMS implemented these changes through a new case-mix system (Patient-Driven Groupings Model or PDGM)
- BBA 2018 required MedPAC to review impact of PDGM in first year of operation (see March 2022 report)

BBA 2018 changes to the home health payment system must be budget neutral

- Budget neutrality requirement applies for 2020 to 2026
- CMS has identified excess spending that needs to be recovered:
  - $2 billion in one-time (temporary reduction) for overages that occurred in 2020 and 2021
  - 3.925 percent permanent reduction to future rates
- CMS has not indicated when these adjustments will be implemented (but must occur by 2026)

BBA (Balanced Budget Act)

Access to care: Supply remains high and beneficiaries have good access to care

- 98 percent of beneficiaries live in ZIP code with two or more HHAs; 88 percent live in ZIP code served by 5 or more HHAs
- Decline in number of HHAs slowed in 2021
  - 2013-2020: -1.4 percent per year
  - 2020-2021: -0.8 percent per year

Source: Medicare Survey and Certification Quality, Certification and Oversight Reports; Data are preliminary and subject to revision.

Volume did not change significantly in 2021

- Volume of 30-day periods decreased by 2.9 percent in 2021 to 9.3 million episodes; several factors account for decline
  - Decline in in-patient hospitalizations
  - Fewer FFS beneficiaries
- Per-capita utilization increased slightly to 26 home health periods per 100 FFS beneficiaries
- Share of FFS beneficiaries using home health care increased slightly to 8.3 percent
- HHAs had a marginal Medicare profit of 26 percent

FFS (fee-for-service); HHAs (home health agencies)

Source: Home Health Standard Analytic File; data are preliminary and subject to revision.

In-person visits have declined, mostly due to drop in therapy services

				2019-2021 change	
	2019	2020	2021	Change in visits	Average annual percent change
Average in-person visits per 30-day period (excludes low-use periods)	10.2	9.2	8.8	−1.4	−8.1%

- About 70 percent of the decline since 2019 is attributable to fewer in-person therapy visits (physical, speech, and occupational)
- Increased use of telehealth by HHAs likely offset some of the decline in in-person visits
  - HHAs will begin reporting telehealth services in 2023

Data are preliminary and subject to change

Quality of home health care is difficult to assess in 2021

- Performance on quality measures in 2021 was mixed:
  - Rate of successful discharge to community declined (decline in quality)
  - Hospitalization rate during home health spell steady at 18.4 percent
- Results for 2020 and 2021 may reflect impact of pandemic
  - 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 pandemic
- Implementation of shorter unit of payment for home health care likely affected discharge to community rate

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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: 11.9 percent in 2021

Data are preliminary and subject to revision.

Assessing payments and costs in 2021

- Spending declined by 1.2 percent in 2021 to $16.9 billion
- Payment per in-person visit increased 22 percent from 2019 (year preceding implementation of PDGM) to 2021
  - 2019: $180 per in-person visit
  - 2021: $219 per in-person visit
- Increase in payment per in-person visit reflects payment updates and decline in average in-person visits per period during this period
- Cost per 30-day period declined 2.3 percent in 2021

Data are preliminary and subject to revision.

Medicare financial performance of freestanding HHAs in 2021 continues to be strong

	Medicare margin
All	24.9%
25th percentile	6.9
75th percentile	34.3
For-profit	26.1
Non-profit	20.2
Majority urban	24.8
Majority rural	25.2
Including COVID-related relief funds	25.9

Source: Home health cost reports; data are preliminary and subject to revision.

Performance of relatively efficient home health agencies in 2021

- 14 percent of freestanding HHAs met cost and quality criteria
- Efficient HHAs compared to other HHAs:
  - Median hospitalization rate: 3.5 percentage points lower
  - Standardized cost per period: 4 percent lower
  - Higher patient severity/case-mix
- Median Medicare margin for efficient provider is 28.4 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

Beneficiaries' access to care	Quality of care	Access to capital	Medicare payments and HHA costs
▪ 98% live in a ZIP code with two or more HHAs ▪ Total volume decreased, per-capita volume increased ▪ Positive marginal profit (25.9%)	▪ Unique circumstances of pandemic and changes to unit of payment confound our measurement and assessment of quality	▪ Positive all-payer profit margin (11.9%) ▪ Large for-profits continue to have access to capital	▪ 24.9% Medicare margin in 2021 (efficient provider median margin over 28%)