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Assessing payment adequacy and updating payments: Home health care services

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Presentation roadmap

1 **Overview of home health care use and spending under FFS Medicare**

2 **Access to home health care**

3 **Quality of home health care**

4 **Home health agencies' access to capital**

5 **FFS Medicare payments and home health agencies' costs**

6 **Chair's draft recommendation**

Overview of home health care use and spending under FFS Medicare, 2023

🏠	**Home health agencies**	Over 12,000
👤	**Users**	2.7 million (7.8% of FFS Medicare beneficiaries)
🛏	**Volume**	8.3 million 30-day periods
$	**Payments for services**	$15.7 billion

Note: FFS (fee-for-service).
Source: MedPAC analysis of home health standard analytic file.

Payment adequacy framework: Home health agencies

Beneficiaries' access to care

- Supply and capacity
- Volume of services
- Marginal profit

Quality of care

- Successful discharge to the community
- Potentially preventable rehospitalization
- HH–CAHPS®

Access to capital

- All-payer margin
- Investor activity

Medicare payments and costs

- Payments and costs
- FFS Medicare margin
- Projected FFS Medicare margin

Update recommendation for home health base rate

Note: HH–CAHPS® (Home Health Consumer Assessment of Healthcare Providers and Systems).

Access: HHA capacity remained adequate in 2023

Most beneficiaries live in an area served by HHAs

- Over 98% of FFS Medicare beneficiaries lived in a ZIP code served by at least 2 HHAs

- 88% lived in a ZIP code served by 5 or more HHAs

Supply of providers

- Overall numbers of HHAs increased by 3.4% in 2023

- Excluding high-growth area (Los Angeles County, CA), declined 2.8%

HHAs reported timely initiation of care

- 96.1% of home health stays were reported by HHAs as initiated on a timely basis

Note: HHA (home health agency), FFS (fee-for-service).
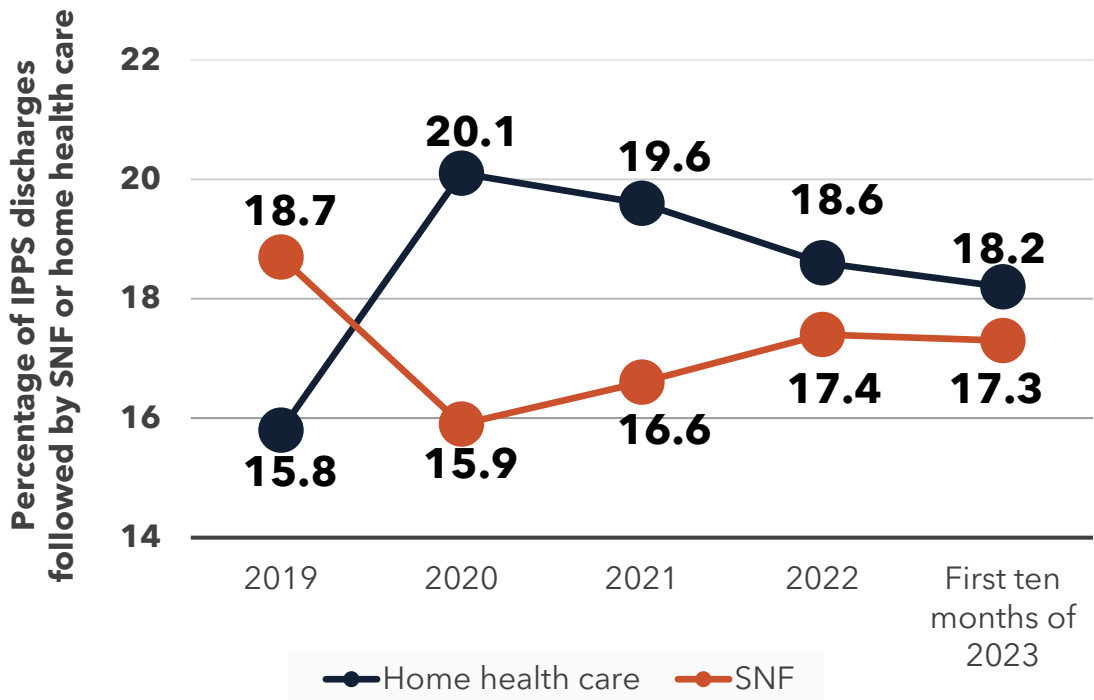**Source:** MedPAC analysis of Home Health Compare data and Provider of Service file.

Access: Per capita volume was lower in 2023

30-day periods per 100 FFS Medicare beneficiaries

- 2021: 25.5
- 2022: 24.3
- 2023: 23.9
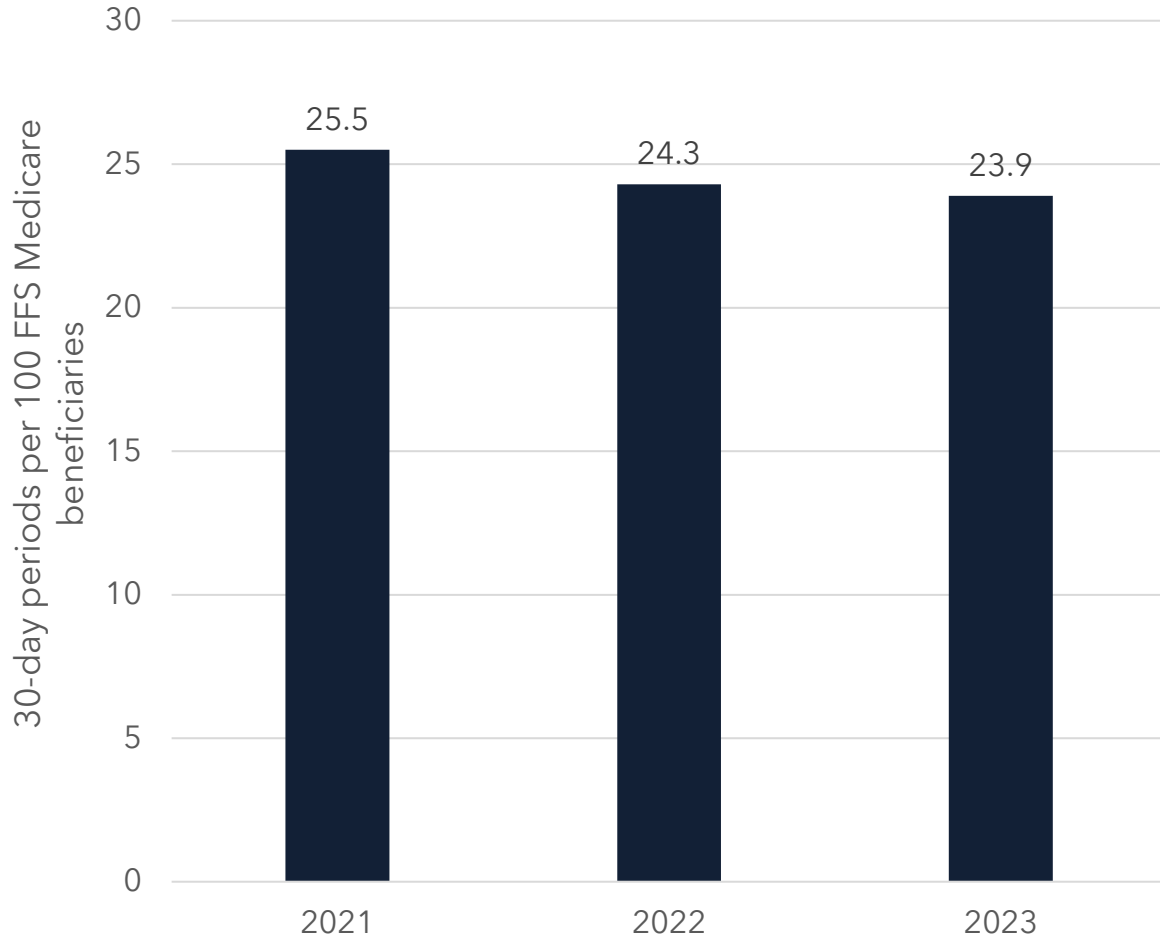
- Number of 30-day periods per FFS beneficiary declined by 3.9% in 2023
  - Urban: 24.4 per 100 FFS Medicare beneficiaries
  - Rural: 21.9 per 100 FFS Medicare beneficiaries
- Per capita home health utilization was declining before pandemic; decline in IPPS use has contributed to trend

Note: FFS (fee for service), IPPS (inpatient prospective payment systems).
Source: MedPAC analysis of home health standard analytic files and the 2024 Medicare Trustees Report.

Access: Rate of HH use after inpatient hospital stay remained above prepandemic level in 2023

Percentage of IPPS discharges followed by SNF or home health care

Year	2019	2020	2021	2022	First ten months of 2023
Home health care	15.8	20.1	19.6	18.6	18.2
SNF	18.7	15.9	16.6	17.4	17.3

Legend: Home health care, SNF

- In 2020, share of FFS hospital inpatients discharged to home health increased 4+ percentage points, while SNF use declined

- From 2021 through 2023, share of FFS hospital inpatients discharged to home health declined but remained higher than in 2019

Note: HH (home health), IPPS (inpatient prospective payment systems), SNF (skilled nursing facility), PAC (post-acute care). IPPS discharges are classified based on first PAC site after IPPS discharge.

Source: MedPAC analysis of home health standard analytic files and Medicare Provider Analysis and Review.

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Quality of home health care was stable in 2023

Claims-based measures	January 1, 2021, to December 31, 2022	January 1, 2022, to December 31, 2023
Discharge to community	79.3%	80.6%

	January 1, 2021, to December 31, 2023	
Potentially preventable readmissions	3.8	

HH-CAHPS® share of patients reporting:	2022	2023
High rating for agency performance	84%	85%
Would recommend agency	78	78
Agency communicated well with patient	85	86

- Share of patients discharged to the community increased slightly in 2023
- Rate of potentially preventable readmission was low (comparable data not available for prior years)
- Patient experience measures were steady in 2023

Note: FFS (fee-for-service), HH-CAHPS® (Home Health Consumer Assessment of Healthcare Providers and Systems®). Discharge to community measure and rate of potentially preventable conditions are risk adjusted and pertain to FFS Medicare beneficiaries only.
Source: MedPAC analysis of claims-based outcome measures from the Provider Data Catalog, CMS summary of HH–CAHPS® public report of survey results tables.

Access to capital: Limited indicator for HHAs, but investor interest continues

- Home health care is less capital intensive than other sectors

- All-payer margin of 8.2% in 2023

- Mergers and acquisition activity peaked in 2021 and 2022 and slowed in the last two years; some firms continue to expand despite slowdown

Note: HHA (home health agency).
Source: Medicare cost reports, *Home Health Care News*, Braff Group.

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Payments and costs: Freestanding HHAs' financial performance under FFS Medicare continued to be strong in 2023

FFS Medicare margin % by year:
- 2019: 15.4
- 2020: 20.2
- 2021: 24.9
- 2022: 22.2
- 2023: 20.2
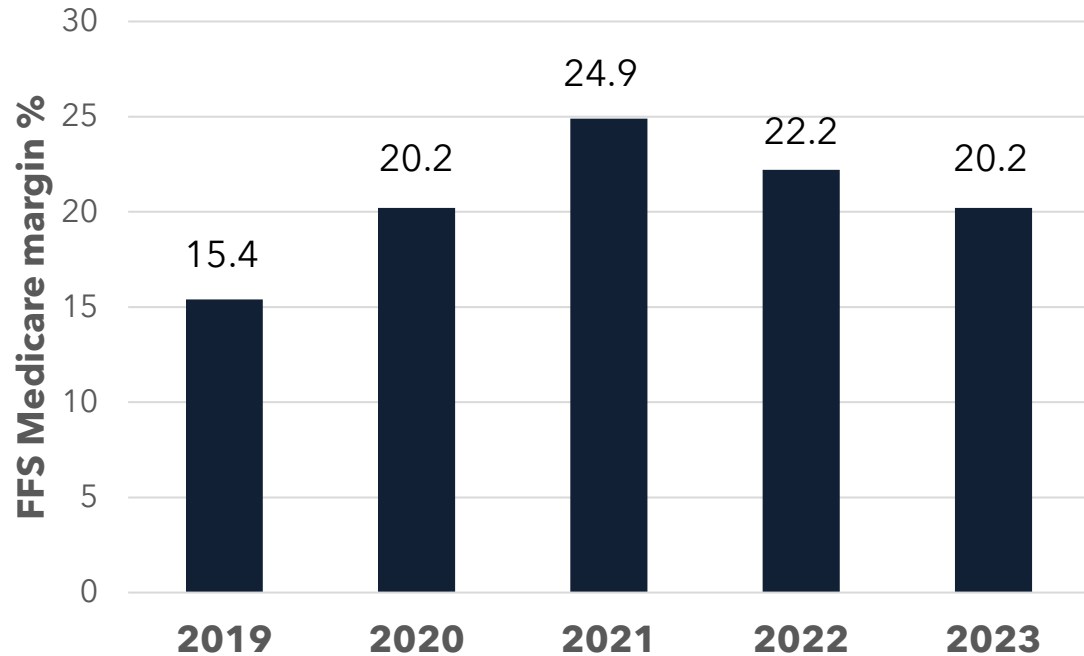
Provider	FFS Medicare margin
All	20.2%
25th percentile	3.8
75th percentile	30.8
Type of ownership	
For profit	21.5
Nonprofit	13.3
Geography	
Majority urban	20.2
Majority rural	20.1

Note: HHA (home health agency), FFS (fee-for-service).
Source: MedPAC analysis of CMS cost report.

Payments and costs: FFS Medicare margin for HHAs projected to remain high in 2025

20.2%

2023 margin

19%

2025 projected margin

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Summary: Home health payment adequacy indicators

Beneficiaries access to care

- 98% live in a ZIP code with 2 or more HHAs
- FFS Medicare per capita volume decreased
- Share of hospital discharges to home health higher than prepandemic level

Mostly positive

Quality of care

- FFS Medicare beneficiaries' risk-adjusted discharge to community rate improved slightly
- Patient experience measures remained high and were stable

Positive

Access to capital

- 2023 all-payer margin: 8.2%
- HHAs' acquisition efforts have slowed, but firms have continued to acquire HHAs

Positive

Medicare payments and costs

- FFS Medicare margin in 2023: 20.2%

Positive

Note: HHA (home health agency), FFS (fee-for-service).

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