MEDPAC

Advising the Congress on Medicare issues

Mandated report: The impact of recent changes to the home health prospective payment system

Evan Christman, Betty Fout

December 5, 2025

Presentation roadmap

1. Overview of home health PPS
2. BBA of 2018 changes to the home health PPS
3. Mandate for MedPAC to assess the BBA of 2018 changes
4. Analytic results from analysis of utilization, quality of care, and payment-to-cost ratios
5. Discussion

Note: BBA of 2018 (Bipartisan Budget Act of 2018), PPS (prospective payment system).

Medicare's home health benefit

- Medicare covers home health care for beneficiaries who are homebound and require skilled care
- Covered services include skilled nursing, therapy (physical, occupational, speech), medical social work, and home health aide visits;
  - Skilled nursing and home health aide covered as part-time or intermittent services (generally less than 28 hours a week)
- No requirement for prior hospital stay; services can be received for an unlimited duration if criteria are met
- No copayments or other cost-sharing for FFS Medicare-covered home health services

Note: FFS (fee-for-service).

Overview of home health care use and spending under FFS Medicare, 2024

Home health agencies	Over 12,000
Users	2.7 million
Volume	8.3 million 30-day periods
Payments for services	$16.0 billion

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

BBA of 2018 mandated changes to the home health PPS

	Pre-BBA of 2018 (prior to January 2020)	Post-BBA of 2018 (beginning January 2020)
Unit of payment	60-day episode	30-day period
Is the number of therapy visits a factor in determining payment?	Yes (more therapy visits resulted in higher payments)	No

Note: BBA of 2018 (Bipartisan Budget Act of 2018), PPS (prospective payment system).

BBA of 2018 changes reflected prior concerns about the home health PPS

- MedPAC (March 2011):
  - Found that HHAs adjusted therapy services to maximize payment
  - Recommended the elimination of therapy as a payment factor
- U.S. Senate Finance Committee (2011):
  - Found that the financial incentives influencing the provision of therapy should be eliminated
- CMS (2017):
  - Proposed, but did not finalize, changes to the home health PPS that were similar to those later mandated by the BBA of 2018

Note: BBA of 2018 (Bipartisan Budget Act of 2018), PPS (prospective payment system), HHA (home health agency).

Source: MedPAC March 2011 Report to the Congress; U.S. Senate. 2011. Committee on Finance. *Staff Report on home health and Medicare therapy threshold*. 112th Congress, 1st Session. S. PRT. 2011: 112–24; CMS 2017. Proposed rule for the 2018 home health PPS.

BBA of 2018 mandate for MedPAC to assess the impact of changes to the home health PPS

- MedPAC required to assess the impact on payments, costs, and quality, and identify unintended consequences
- BBA of 2018 requires 2 reports:
  - Interim report (published in March 2022 report to the Congress)
  - Final report due March 15, 2026

Note: BBA of 2018 (Bipartisan Budget Act of 2018).

In 2020, CMS implemented changes mandated by BBA of 2018 through a new case-mix system

- Patient Driven Groupings Model (PDGM) measures patient severity in 5 dimensions:
  - Timing (first or subsequent 30-day period)
  - Source of referral (PAC or community-admitted)
  - Clinical group (based on primary diagnosis)
  - Functional status (based on OASIS patient assessment)
  - Comorbidities (chronic and other conditions)
- Use of therapy services excluded from PDGM
- 30-day unit of payment

Note: BBA of 2018 (Bipartisan Budget Act of 2018), PAC (post-acute care), OASIS (Outcomes Assessment and Information Set).

MedPAC's interim report on impact of changes to home health PPS (March 2022)

- Use of home health care declined in 2020, but factors other than PDGM likely contributed:
  - COVID-19 pandemic and workforce shortages
  - FFS hospital discharges declined in 2020
  - Only 1 year of PDGM utilization data available (2020)
- Similar mix of patients by timing, referral source, clinical group
- Quality challenging to assess due to pandemic disruptions; results were mixed

Note: PPS (prospective payment system), PDGM (Patient-Driven Groupings Model), FFS (fee-for-service).

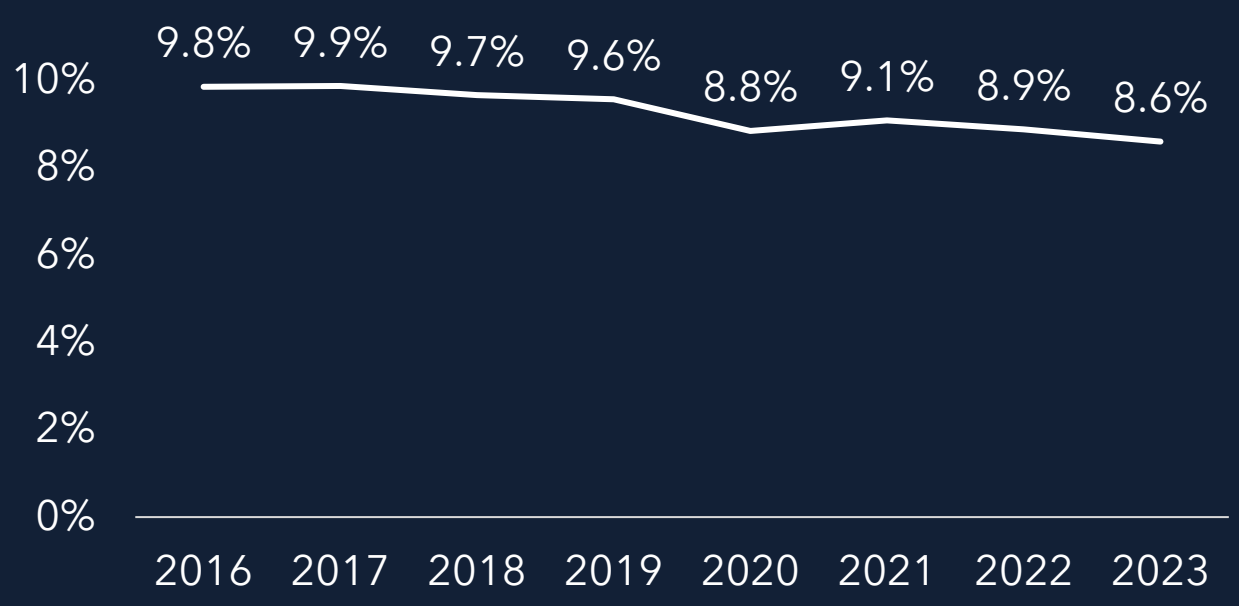
Analytic approach to assessing the impact of changes to the home health PPS for the final mandated report

- More data and expanded set of outcome measures now available
- Interrupted time series regression model using data from 2016–2023
  - Use pre-2020 trends to estimate a counterfactual for PDGM period
  - Include statistical controls that account for beneficiary, geographic, labor market, and other factors related to home health care use
- Focus on 2023 data (most recent PDGM year); less likely to be directly affected by COVID-19 pandemic

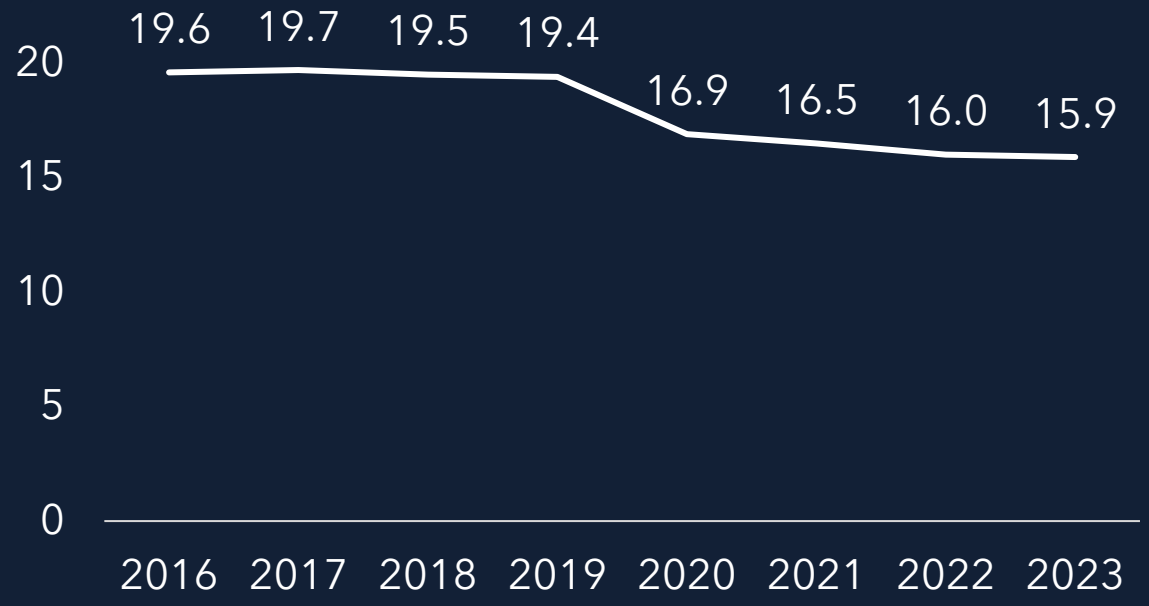
Note: PDGM (Patient-Driven Groupings Model).

Trends in FFS home health care, 2016 to 2023

Share of FFS beneficiaries using home health care



Visits per FFS home health stay



Note: FFS (fee-for-service). Data include Medicare beneficiaries enrolled in FFS Medicare for the 12 months of a calendar year and the 6 months preceding it. Home health stays are constructed by linking consecutive home health claims with less than 60 days between the end of an initial claim and the beginning of the next claim.

Source: Acumen analysis of home health claims, 2016–2023.

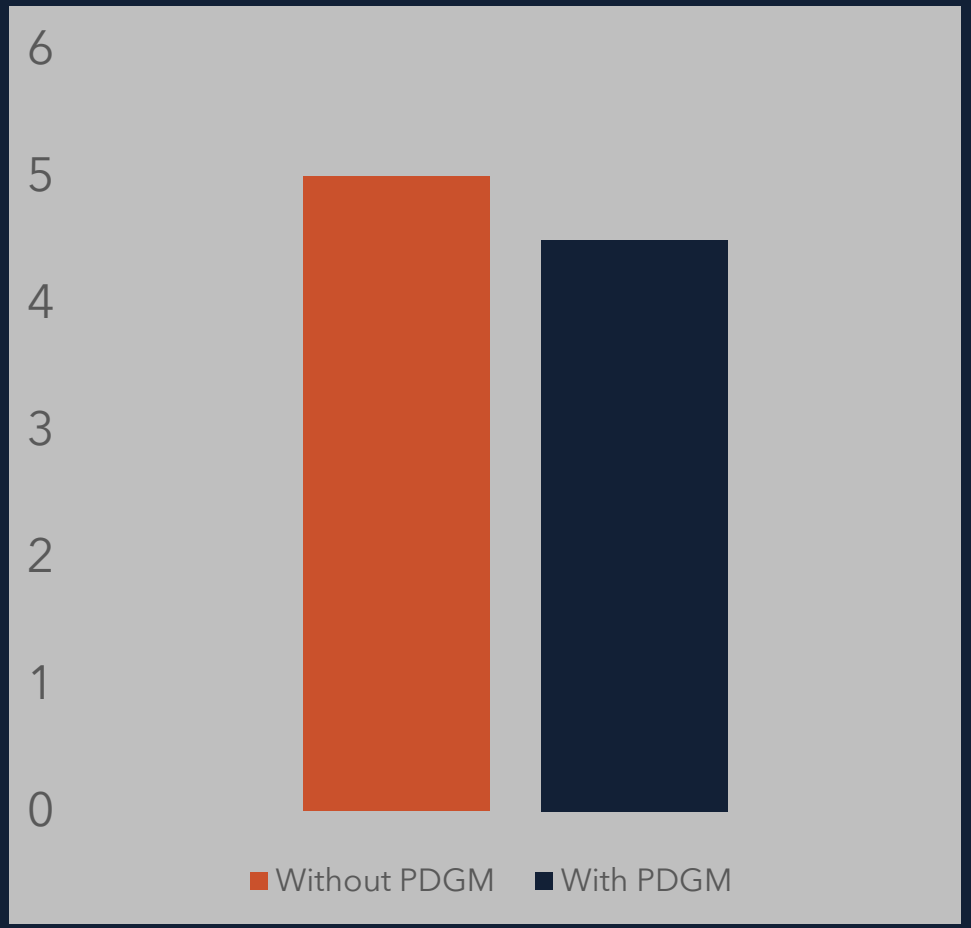
Limitations of the analysis

- Many factors affected home health care utilization during implementation period
  - Control variables may not adequately account for influence of non-payment system factors
  - Unmeasured factors may influence outcomes
- Beneficiaries not randomized; relied on econometric controls
- Characterize findings as "associated with PDGM" when applicable

Note: BBA of 2018 (Bipartisan Budget Act of 2018).

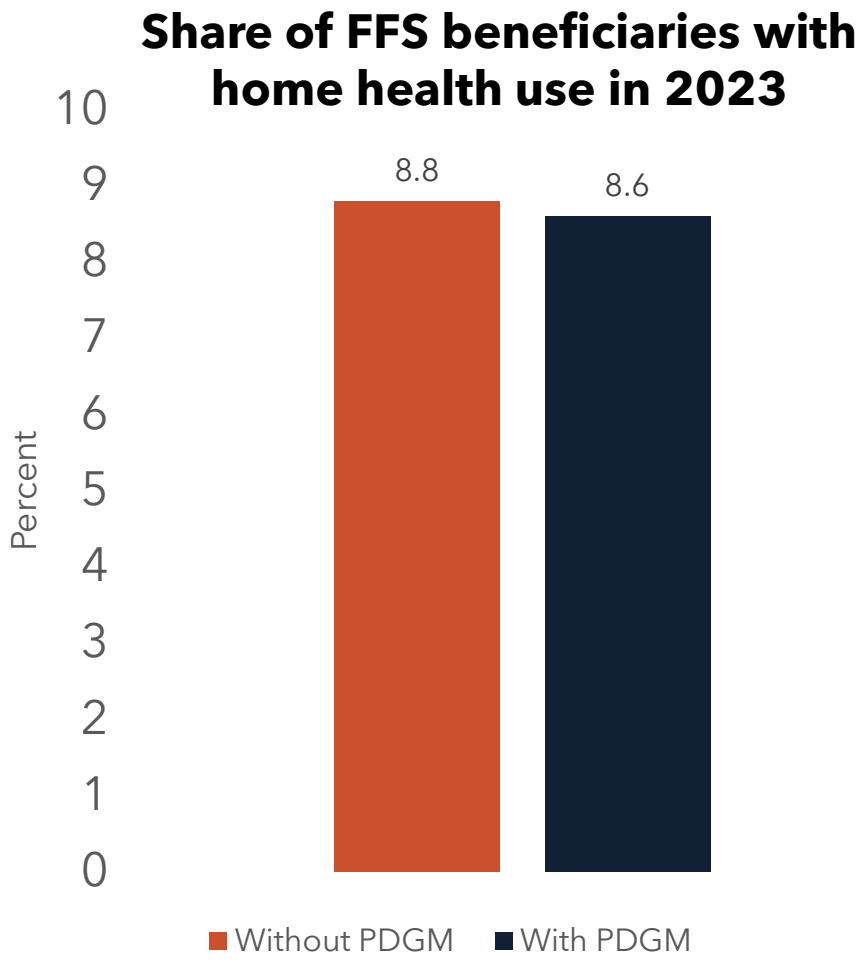
Interpreting results of interrupted time series

- Focus on 2023 data (most recent PDGM year)
- Analysis compares two estimates:
  - With PDGM: actual experience with PDGM in 2023
  - Without PDGM: counterfactual that estimates 2023 based on pre-PDGM trend
  - Difference between the two estimates is approximation of PDGM's impact
- Unless otherwise noted, results presented are significant at p-value <.05



Note: PDGM (Patient-Driven Groupings Model).

Probability of a FFS beneficiary receiving home health care was not substantially different in 2023 with PDGM

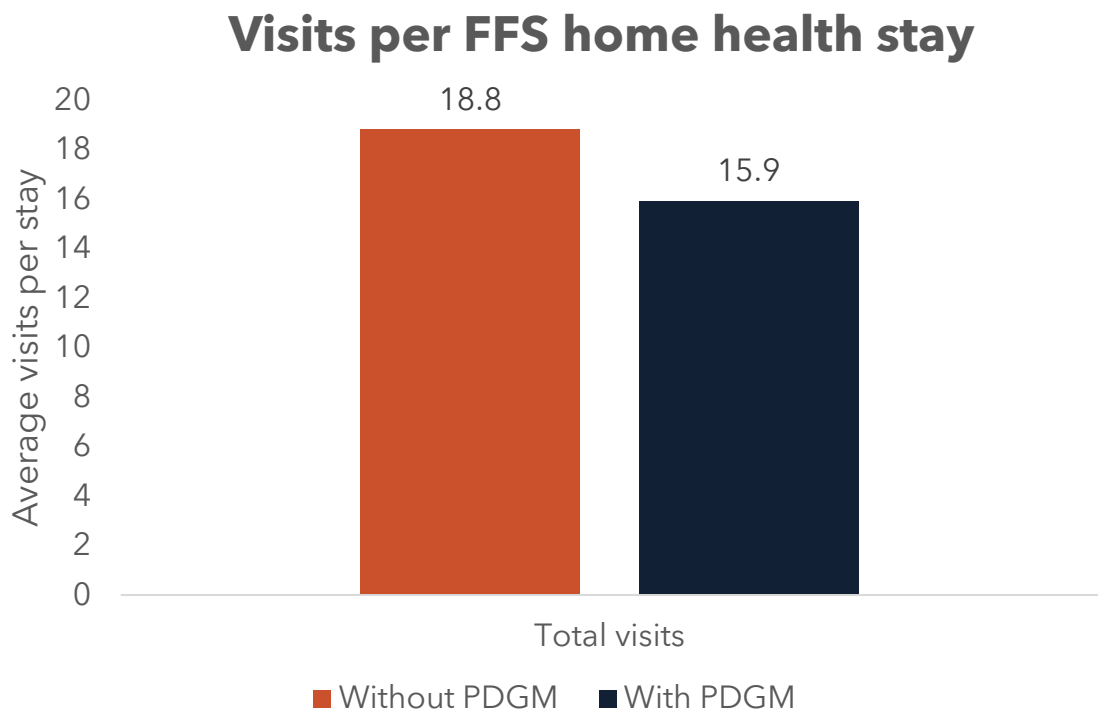


- PDGM was associated with 0.2 percentage point lower rate of home health use
- PDGM was associated with different impacts by source of referral:
  - Higher probability of at least 1 post-hospital 30-day period
  - Lower probability of at least 1 community-admitted 30-day period

Note: PDGM (Patient-Driven Groupings Model). Difference between with and without PDGM estimates are statistically significant at $p < .05$. Values have been rounded to the nearest tenth of a percent.

Source: Acumen analysis of 2023 data of CMS-HCC files, MedPAR, Census data, CMS market saturation and utilization file, and the standard analytic files for outpatient hospital, physician services, home health, SNF and IRF.

PDGM associated with 2.9 fewer visits per stay in 2023



Note: PDGM (Patient-Driven Groupings Model), HHA (home health agency). Difference between with and without PDGM estimates are statistically significant at $p < .05$. Values have been rounded to the nearest tenth of a percent.

Source: Acumen analysis of 2023 data of CMS-HCC files, MedPAR, Census data, CMS market saturation and utilization file, and the standard analytic files for outpatient hospital, physician services, home health, SNF and IRF.

	Difference in visits associated with PDGM	Percent
Therapy	−2.4 visits	−21.3%
Skilled nursing	−0.7 visits	−9.8%
Home health aide	0.2 visits	75.6%

- PDGM altered incentives for therapy, but both skilled nursing and therapy were lower in 2023
- Lower number of therapy visits may reflect HHAs better aligning therapy regimens with beneficiaries' clinical needs

Under PDGM, rate of improvement in functional status was steady, while rate of hospitalization improved

Measure	Without PDGM	With PDGM
Change in mobility	0.86	0.89
Change in self-care	2.46	2.50
Rate of potentially preventable hospitalization during home health care (percent)	10.3	8.2

Note: PDGM (Patient-Driven Groupings Model), OASIS (Outcome and Assessment Information Set); difference between with and without PDGM estimates are statistically significant at $p < .05$.

Source: Acumen analysis of 2023 data of CMS-HCC files, Claims-based measure files, and OASIS-based measure files.

PDGM associated with a higher payment-to-cost ratio in 2023

- PDGM associated with a 3.6% higher payment-to-cost ratio
- Likely reflects fewer visits per stay associated with PDGM
- FFS Medicare margin for freestanding HHAs:
  - 20.2% in 2023

Note: PDGM (Patient-Driven Groupings Model), FFS (fee-for-service), HHA (home health agency).

Source: Acumen analysis of 2023 data of CMS-HCC files, Claims-based measure files, and OASIS-based measure files.

Key findings for mandated report

PDGM associated with…

Little effect on FFS beneficiaries' use of home health care

- 0.2 percentage point lower rate of use
- Probability of post-hospital 30-day periods increased; decrease for community-admitted 30-day periods

Fewer visits per FFS stay

- Decline in overall visits per stay (−15.3%)
- Decline in therapy visits (−21.3%) and skilled nursing visits (−9.8%)

Little effect on FFS quality metrics

- No substantial change in rates of improvement in self-care or mobility
- Rate of potentially preventable hospitalization declined (improved)

Higher FFS payment-to-cost ratio

- 3.6% higher payment-to-cost ratio
- FFS Medicare margins exceeded 20% in 2023 for freestanding HHAs

Note: PDGM (Patient-Driven Groupings Model), FFS (fee-for-service), HHA (home health agency).
Source: Acumen analysis of 2023 MedPAR files, CMS-HCC files, claims-based measure files, OASIS-based measure files, Census data, CMS market saturation and utilization file, and standard analytic files for outpatient hospital, physician services, home health, skilled nursing facilities, and inpatient rehabilitation facilities.

Discussion

- Additional findings to be presented in January
  - Rate of discharge to community
  - Outcomes for specified clinical conditions
- Final report due March 15, 2026

- Questions or feedback on today's presentation?

MEDPAC

Advising the Congress on Medicare issues

Medicare Payment Advisory Commission

www.medpac.gov

@medicarepayment