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

January 15, 2026

Timeline of Commission's activities for Bipartisan Budget Act of 2018 mandated reports for home health care

- February 2018: BBA of 2018 mandates 2 changes to home health payment system (beginning in 2020):
  - Eliminate therapy visits as a payment factor in the case-mix system
  - Replace 60-day episode unit of payment with 30-day period
- March 2022: MedPAC submits interim report to Congress
- October 2024: Commissioners discuss workplan for final MedPAC report
- December 2025: Staff presents results for use, quality, and financial analyses
- Today: Staff presents additional results and draft final report

➢ Final report due March 2026

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

Presentation roadmap

1. Overview of home health benefit
2. BBA of 2018 changes to the home health PPS
3. Review of methodology and results from analysis of use and quality of care (with new quality measure)
4. New results from analysis of clinical categories and provider margins
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, home health aide
  - Skilled nursing and aide services 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).

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).

Elimination of therapy from home health PPS reflected prior concerns

- 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.

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).

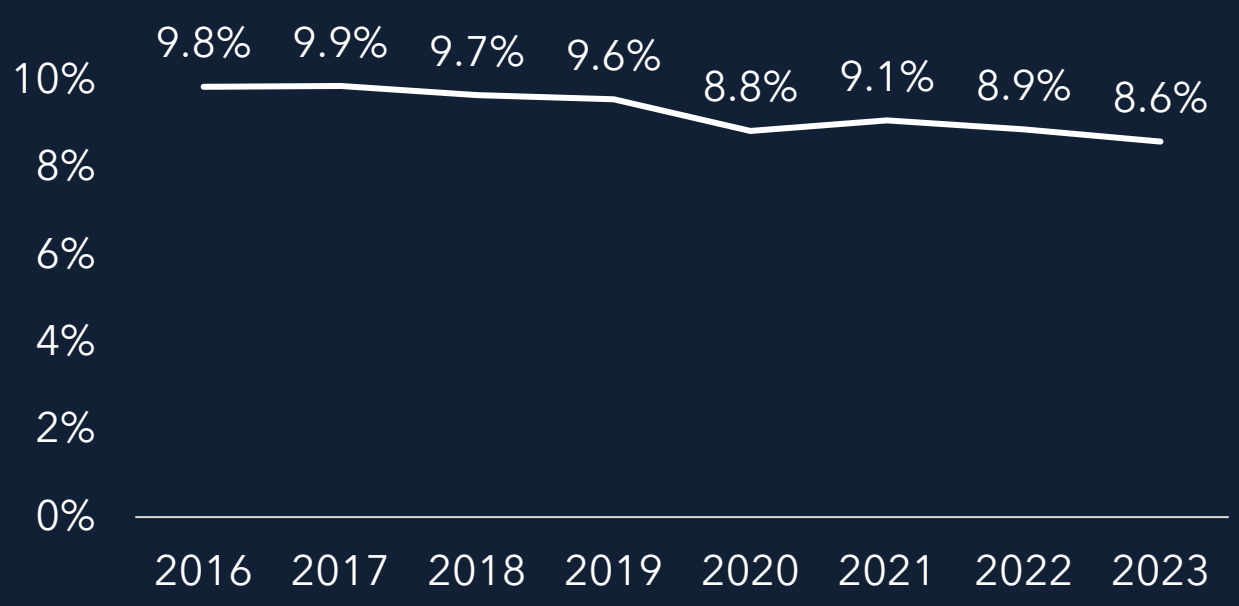
Analytic approach to assessing the impact of changes to the home health PPS for the final mandated report

- 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

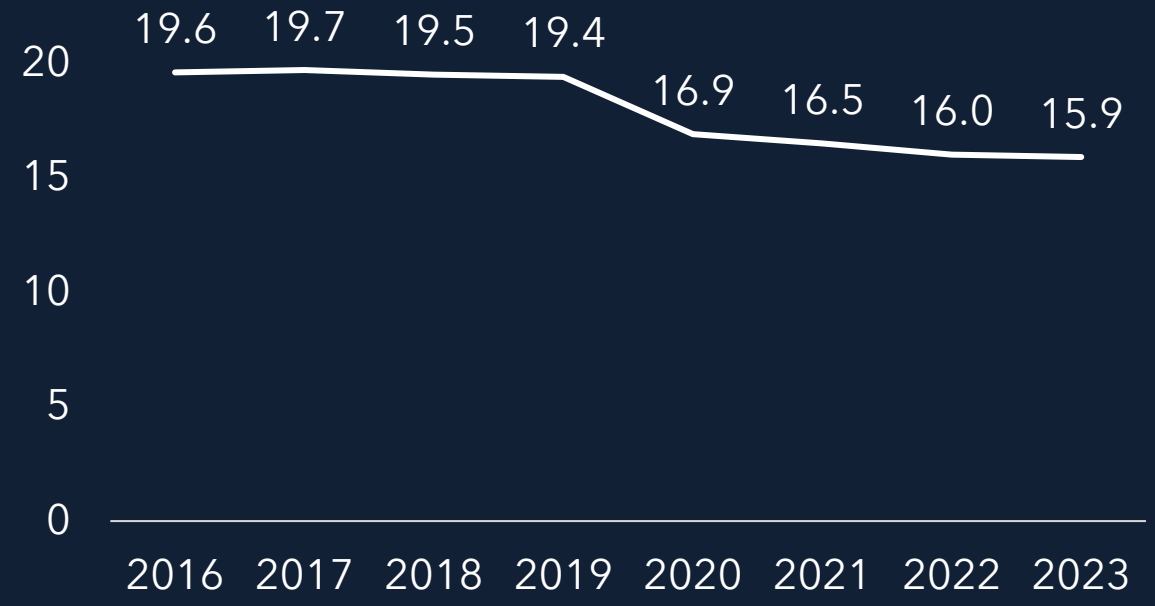
Note: PDGM (Patient-Driven Groupings Model).

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

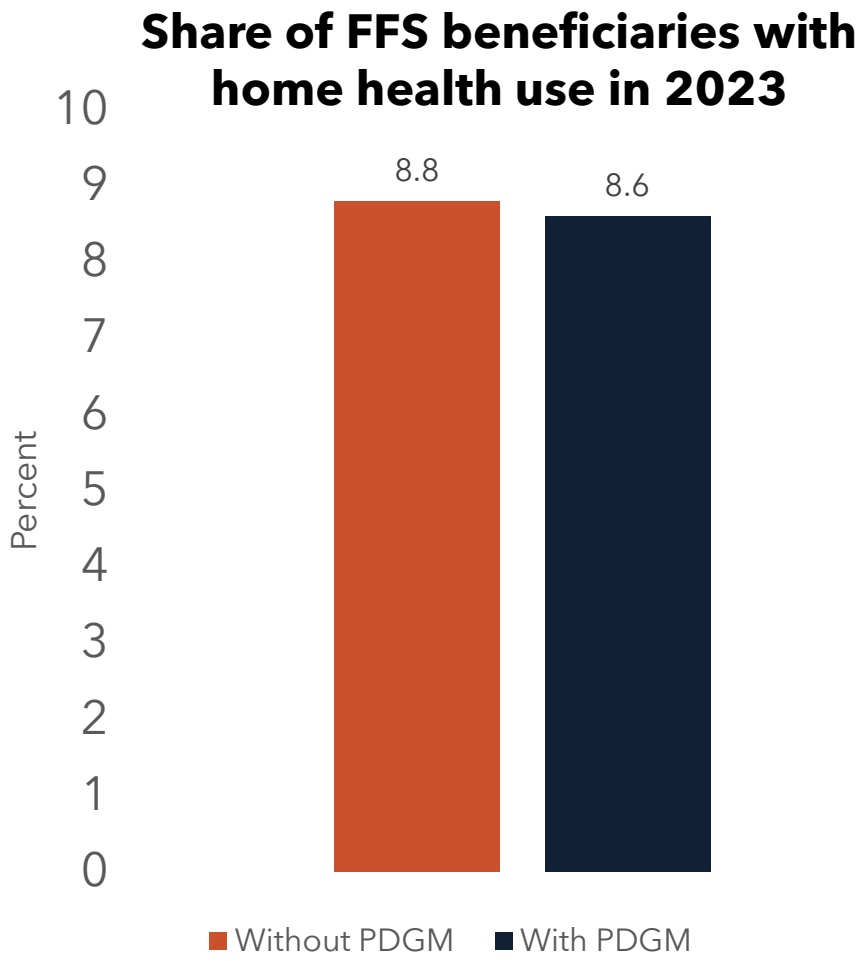
- Many factors affected home health care utilization during implementation period
  - Control variables may not adequately account for influence of non-payment system factors
  - Unmeasured factors may influence outcomes
- Beneficiaries not randomized; relied on econometric controls
- Small differences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

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

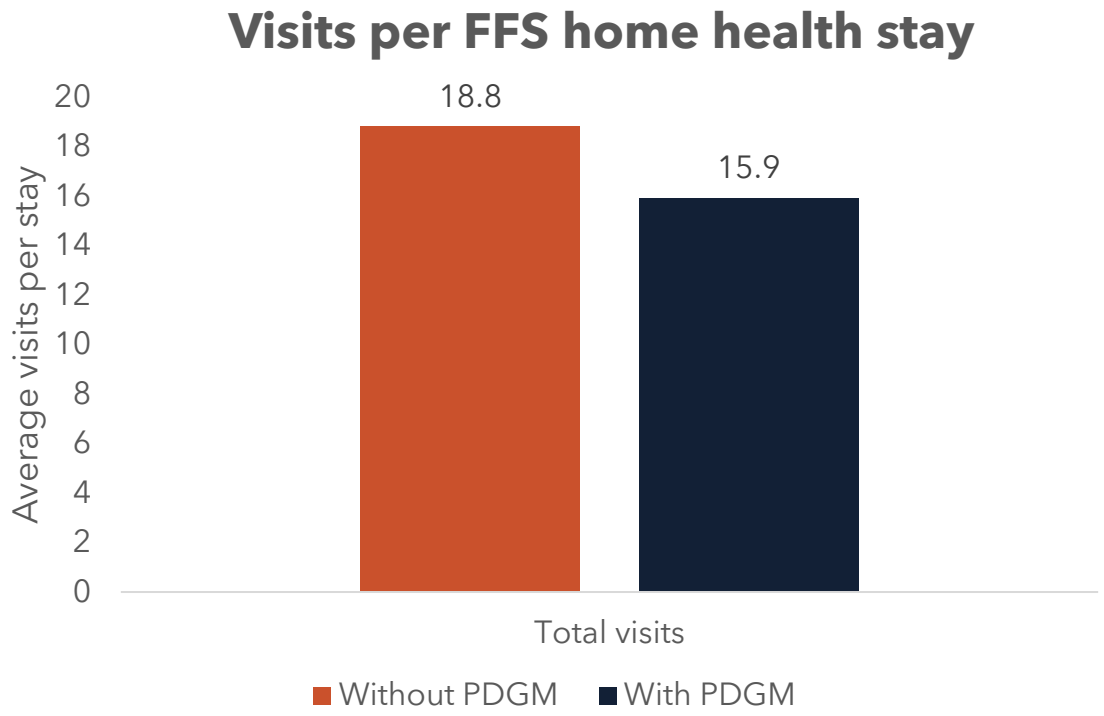


- PDGM was associated with 0.2 percentage point lower rate of home health use
- PDGM was associated with different impacts by source of referral:
  - Higher probability of a postinstitutional stay (+0.3 percentage point)
  - Lower probability of at least 1 community-admitted stay (-0.8 percentage point)

Note: PDGM (Patient-Driven Groupings Model), FFS (fee-for-service). 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%
Total	-2.9	-15.3%

- PDGM altered incentives for therapy; incentives for skilled nursing and other services unchanged
- Lower number of therapy visits may reflect HHAs better aligning therapy regimens with beneficiaries' clinical needs
- Fewer visits per stay for services with new incentives under PDGM (therapy) and those with no direct changes (skilled nursing) suggest influence of factors other than PDGM

Most measures of quality were stable under PDGM, though rate of potentially preventable hospitalization was lower

Measure	Without PDGM	With PDGM
Claims-based measures:		
Discharge to the community after home health care (percent)	85.2	82.8
Rate of potentially preventable hospitalization during home health care (percent)	10.3	8.2
OASIS-based measures:		
Change in mobility	0.86	0.89
Change in self-care	2.46	2.50

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.

Impact of PDGM for selected clinical categories

- Assessed impact for conditions common in home health care: knee conditions, dementia, COPD, CHF, diabetes, stroke, schizophrenia/major depression, and neurodegenerative conditions
- PDGM was associated with a lower probability of home health use for beneficiaries with any one of these conditions, but rates of use remained high relative to beneficiaries without these conditions
  - Lower rate of use associated with these conditions may reflect lower probability of community-admitted stays noted earlier
- Magnitude of difference associated with PDGM for visits per stay for selected conditions was about the same as for total visits per stay
- Quality of care associated with PDGM also similar for the eight conditions (stable or improved functional outcomes on measures)

Note: PDGM (Patient-Driven Groupings Model), COPD (chronic obstructive pulmonary disease), CHF (congestive heart failure). Neurodegenerative conditions includes Parkinson's disease, amyotrophic lateral sclerosis, multiple sclerosis, and muscular dystrophy.

PDGM not associated with a statistically significant effect on FFS Medicare margin in 2023

- Assessed FFS Medicare margins to understand financial impacts of PDGM
- Difference in FFS Medicare margin associated with PDGM was not statistically significant overall (all stays) or for most subcategories we assessed
- FFS Medicare margin for free-standing HHAs was 21.2% in 2024

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

Summary: PDGM associated with fewer visits per stay but little effect on overall use, quality, HHA profitability

Little effect on FFS beneficiaries' use of home health care

- 0.2 percentage point lower rate of use
- Probability of postinstitutional stay higher; lower for community-admitted stays

Fewer visits per FFS stay

- Fewer overall visits per stay (−15.3%)
- Fewer therapy visits (−21.3%) and skilled nursing visits (−9.8%)
- Reduction in therapy visits may reflect better alignment with care needs

Little effect on FFS quality metrics

- Rate of potentially preventable hospitalization lower (improved); stable rate of discharge to community
- No substantial effect on rates of improvement in self-care or mobility

No significant changes in profitability

- No statistically significant effect associated with PDGM overall
- FFS Medicare in 2024 for freestanding HHAs were 21.2 percent

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

- Questions or feedback on today's presentation
- Final report due March 15, 2026

MEDPAC

Advising the Congress on Medicare issues

Medicare Payment Advisory Commission

www.medpac.gov

@medicarepayment