

Assessing payment adequacy: home health services

Evan Christman

December 15, 2011

Commission's 2011 recommendations for home health

- Eliminate financial incentives that encourage providers to provide more therapy
- Address high overpayments by lowering rates to equal costs (re-basing)
- Add a copay to encourage appropriate use of benefit
- Expand program integrity efforts to address fraud and abuse

Home health summary 2010

- \$19 billion total expenditures
- Over 11,600 agencies
- 6.8 million episodes for 3.4 million beneficiaries

Framework

- Access to care
- Quality of care
- Access to capital
- Payment and costs

Supply continues to grow and access to care is generally adequate

- 99 percent of beneficiaries live in an area served by home health
- Number of HHAs is over 11,600 in 2010
 - Number of agencies has increased almost 50 percent since 2002
 - Net increase of 650 new agencies in 2010
 - Growth concentrated in relatively few areas

Rural and urban counties receive about the same level of services, but composition differs

		Rural			
	Urban	All	Micropolitan	Urban adjacent	Non-adjacent to urban
Episodes per 100 beneficiaries	15.8	14.8	14.4	15.8	14.8
Share of episodes that are:					
Non-therapy	63%	70%	69%	71%	84%
Therapy	37%	30%	31%	29%	26%

Source: Home health SAF 2010

Note: Data are preliminary and subject to revision.

- Higher rate of therapy use in urban areas may reflect payment system incentives that encourage this service
- Rural frontier counties average about 9.4 episodes per 100 beneficiaries

Rural areas have similar variation in total utilization relative to urban, but different mix of services

- Home health utilization tends to vary between geographic areas (e.g., states) more than between neighboring urban and rural areas
- Rural areas are the highest use areas in some regions
 - 21 of the top 25 counties in home health utilization are rural
 - 3 percent rural payment add-on in 2010-2015
- Rural areas have a different mix of services; more non-therapy, less therapy

Users and episodes continue to increase in 2010

	2002	2009	2010	Annual Change (percent)	
				2002-2010	2009-2010
Users (millions)	2.5	3.3	3.4	3.9%	4.1%
Share of FFS beneficiaries (percent)	7.2	9.3	9.6	3.6%	3.2%
Episodes (millions)	4.1	6.6	6.8	6.6%	3.7%
Episodes per user	1.6	2.0	2.0	2.6%	-0.4%

Source: Home health SAF 2010

Note: Data are preliminary and subject to revision.

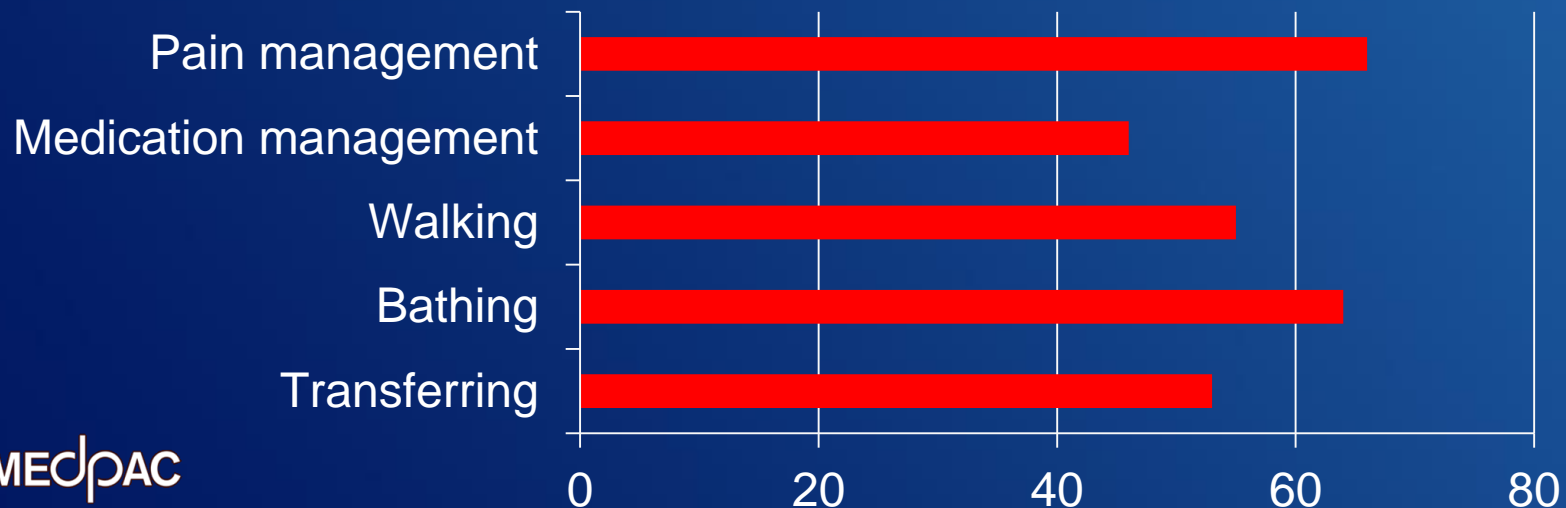
Therapy utilization trends indicate need for PPS revisions

- The home health PPS uses amount of therapy provided as a payment factor
- The shifts in therapy utilization have generally coincided with the per visit payment thresholds Medicare has implemented
- Commission recommended eliminating the thresholds and using patient characteristics to set payment for therapy
 - Raise payments for non-profits, hospital-based, and rural agencies

Hospitalizations have fallen, majority of beneficiaries improve in function

- New measure of hospitalization (claims based) shows improvement:
 - 2006: 27 percent hospitalized at discharge+30 days
 - 2008: 25 percent

Percent of non-hospitalized patients with improvement in function at discharge - 2011



Access to capital is adequate

- Less capital intensive than other sectors
- Wall Street analysts conclude that large publicly-traded for-profit HHAs have access to capital markets, though on less favorable terms than prior years
- Continuing entry of new providers suggests adequate access to capital for expansion

Financial performance of freestanding HHAs in 2010

	<u>Percent of HHAs</u>	<u>Margin</u>
All	100%	19.4%
25 th		3%
75 th		27%
Majority Urban	91%	19.4%
Majority Rural	9%	19.7%
For-Profit	87%	20.7%
Non-Profit	13%	15.3%

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

Subcategories of rural providers have margins comparable or higher than urban providers in 2010

Type	Urban	Rural			
		All	Micropolitan	Adjacent to urban	Not adjacent to urban
Medicare margin	19.4%	19.7%	18.7%	19.9%	20.9%
Cost per episode	\$2,560	\$2,097	\$2,220	\$2,051	\$2,021
Payment per episode	\$3,179	\$2,165	\$2,731	\$2,560	\$2,555

Source: Home health cost reports 2010

Note: Data are preliminary and subject to revision.