



Advising the Congress on Medicare issues

Assessing payment adequacy and updating payments: home health care services

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Overview

- Summary of benefit
- Review of current issues
- Payment adequacy

Home health care summary 2014

- \$17.7 billion total expenditures
- Over 12,400 agencies
- 6.6 million episodes for 3.4 million beneficiaries

Issues in Medicare home health care

- Effective service when appropriately targeted
- Poorly defined benefit
- History of program integrity issues
- Significant geographic variation in utilization

Issues in Medicare home health prospective payment system

- System includes number of therapy visits provided in an episode as a payment factor
 - Providing more visits increases payments significantly
 - Episodes receiving additional payments for therapy account for increasing share of total episodes
- Payments too high; do not reflect cost of typical episode

Prior recommendations

- Copay for episodes not preceded by a hospitalization
- Expand efforts to reduce fraud, waste, and abuse

Overview

- Payment adequacy
 - Access
 - Volume
 - Quality
 - Medicare costs and payments

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 12,461 in 2014
 - Small net decrease of 152 agencies in 2014 (-1.2 percent)
 - Decline concentrated in areas with rapid growth
- Number of agencies has increased 65 percent since 2004

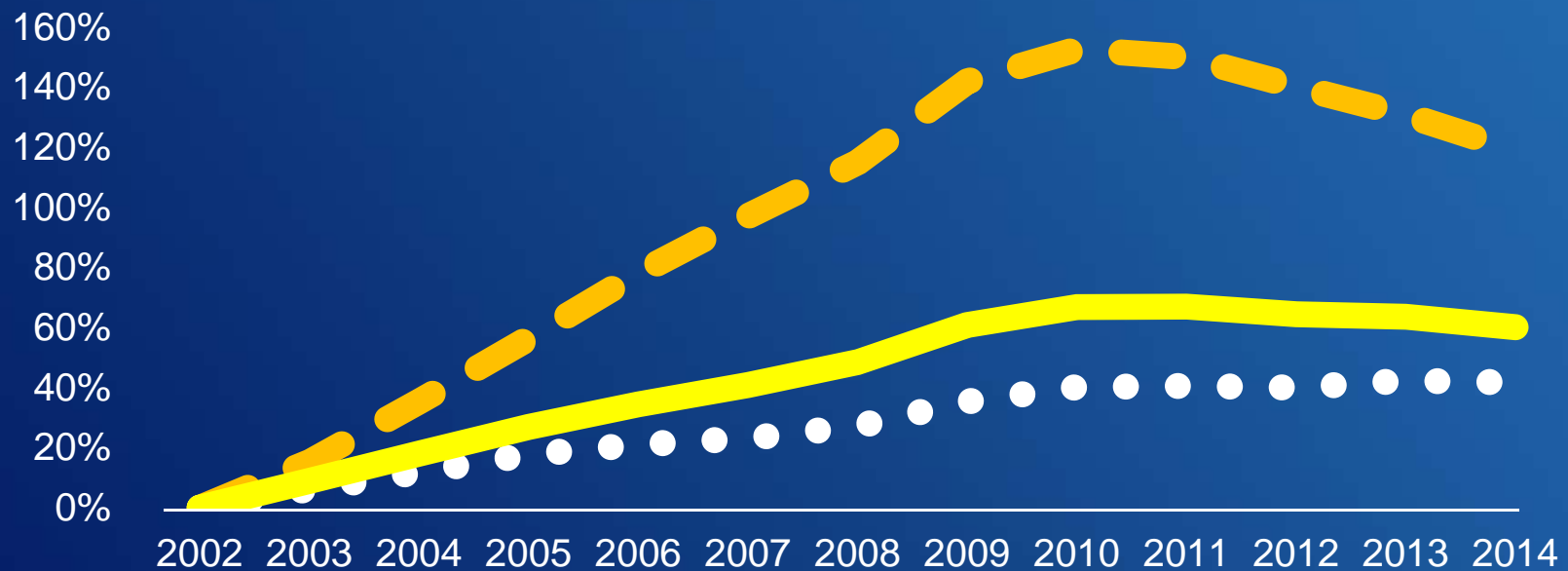
Volume and spending declined slightly in 2014

	Percent change				
	2002	2013	2014	2002-2013	2013-2014
Episodes (millions)	4.1	6.7	6.6	63.6%	-2.1%
Users (millions)	2.5	3.5	3.4	37.8%	-1.3%
Episodes per user	1.6	1.9	1.9	18.7%	-0.8%
Share of FFS beneficiaries (percent)	7.2	9.3	9.1	28.9%	-2.2%
Medicare expenditures for home health (\$ billions)	9.6	17.9	17.7	87.3%	-1.6%

Source: Home health SAF 2014

Note: Data are preliminary and subject to revision.

Volume decline concentrated in five states



- ● ● States with largest decline in volume since 2011
- ● ● All others
- National average

Note: States with largest decline since 2011 (dashed line) include Texas, Louisiana, Illinois, Tennessee, and Florida.

Source: Home health SAF 2014

Note: Data are preliminary and subject to revision.

Quality measures did not change significantly in 2014

Percent of non-hospitalized patients with improvement at home health discharge:	2004	2013	2014
Transferring	51.0%	57.1%	58.9%
Walking	37.2%	61.2%	63.6%
Hospitalization at end of episode	27.7%	26.5%	27.8%

Source: Home Health Compare
Data are preliminary and subject to revision.

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
- Many acquisitions in the last year as many PAC firms seek to expand home health presence
- Continuing entry of new providers suggests adequate access to capital for expansion

Financial performance of freestanding HHAs in 2014

	<u>Medicare Margin</u>
All	10.8%
25 th	-3.8%
75 th	20.1%
Majority Urban	11.2%
Majority Rural	8.5%
For-Profit	12.2%
Non-Profit	6.4%

- Marginal profit of 13.3 percent

Relatively efficient HHAs outperform other agencies in cost and quality

Relatively efficient agencies compared to other HHAs :

- Median costs per visit that were 11 percent lower and median Medicare margins that were 10 percentage points higher
- Higher episode volume (larger in size)
- Rate of hospitalization was percent lower
- Provided similar services and served similar patients in most cases

Note: Data are preliminary and subject to revision.

Payment reductions from rebasing from 2014 through 2017 will be modest

	2014	2015	2016	2017	Cumulative change
Annual base rate reduction net of rebasing reduction and annual payment increase	-0.6%	-0.7%	-0.8%	-0.9%	-3.0%

- Cumulative change is 3 percent because reductions for rebasing (-2.8 percent per year) are mostly offset by annual payment update (+1.9 to +2.3 percent per year)

Note: Data are preliminary and subject to revision.

Payment adequacy indicators are positive, similar to results from prior years

- Access generally adequate
 - No significant change in number of providers
 - Share of users and volume of episodes decline after several years of rapid increases; declines concentrated in a few areas
- Most quality measurements steady or small improvement
- Access to capital is adequate
- Margin for 2014: 10.8 percent
- Marginal profit for 2014: 13.3 percent