

Assessing payment adequacy and updating payments: Home health care services

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Presentation roadmap

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Overview of home health care use and spending, 2022



Home health agencies

Over 11,300



Users

2.8 million (8% of FFS Medicare beneficiaries)



Services

8.6 million 30-day periods



Payments for services

\$16.1 billion

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

BBA 2018 required major changes to the home health PPS

- BBA 2018 required on January 1, 2020:
 - 30-day unit of payment
 - Elimination of therapy as a payment factor in 2020 (recommended by Commission in 2011)
- CMS implemented these changes through a new case-mix system (Patient-Driven Groupings Model or PDGM)
- Average number of visits per 30-day period have declined since 2019

Era	Year	Average visits per 30-day period*
Baseline	2019	10.2
PDGM/BBA 2018 changes in effect	2020	9.2
	2021	8.8
	2022	8.6
	2019-2022 cumulative percent change	-15.6%

Note: *Excludes low-use 30-day periods. BBA 2018 (Bipartisan Budget Act of 2018)

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
- Hospitalization
- 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 payment system base rate

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

Access: HHA capacity remained adequate in 2022



Most beneficiaries live in an area served by HHAs

- Over 98% of FFS Medicare beneficiaries lived in a ZIP code served by at least two HHAs
- 88% lived in a ZIP code served by five or more HHAs



Number of HHAs declined in 2022

- Number of providers has declined since 2013
- -1.1% decline in 2022



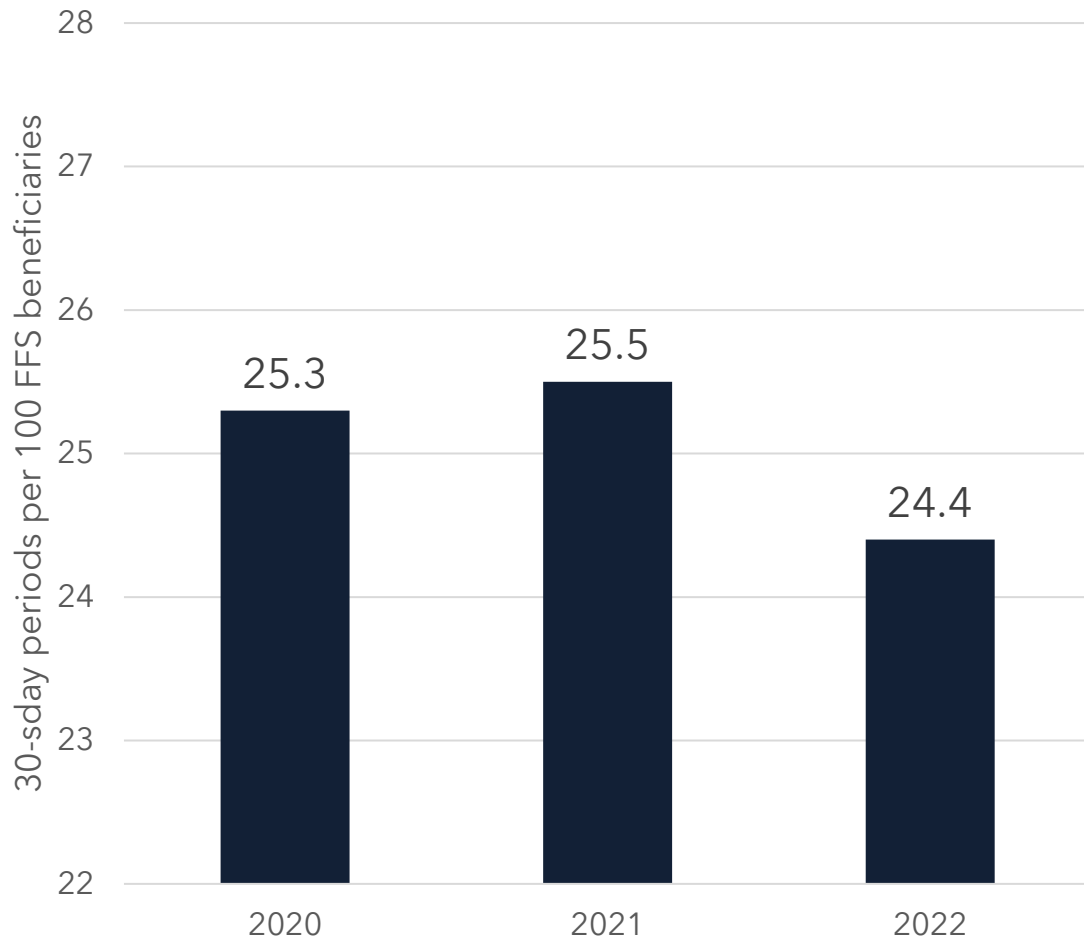
HHAs reported timely initiation of care

- 95.9% of home health stays were reported by HHAs as initiated on a timely basis

Note: FFS (fee for service).

Source: MedPAC analysis of home health compare data and Quality, Certification and Oversight Reports.

Access: Per-capita volume was lower in 2022 after increasing in prior year



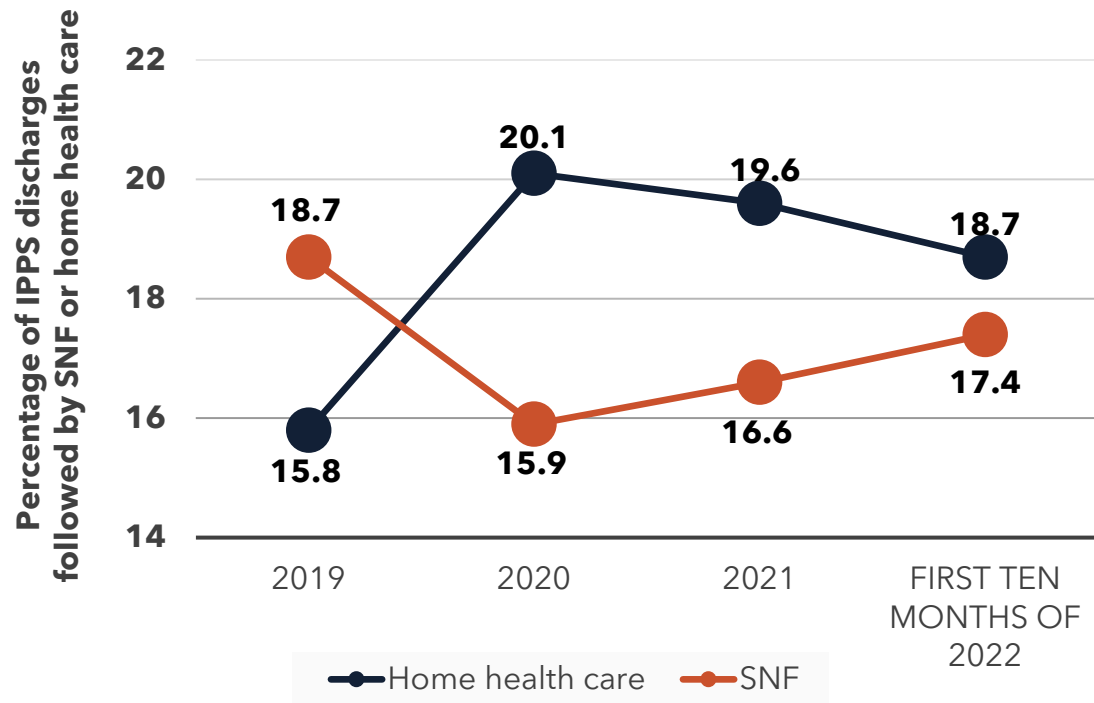
- Number of 30-day periods per FFS beneficiary has declined by –3.5%
 - Hospitalization rate for FFS beneficiaries declined by 5.6 percent since 2020
- Rural beneficiaries received fewer periods per-capita than urban

	Urban	Rural
30-day periods per 100 FFS beneficiaries	24.5	22.6

Note: FFS (fee for service).

Source: MedPAC analysis of home health standard analytic file and 2023 Medicare Trustees Report.

Access: Rate of home health use after an inpatient hospital stay remains above pre-pandemic level



- Prior to the pandemic, SNF was the most frequent PAC site after inpatient hospital services
- In 2020, share for home health care increased by over four percentage points; SNF declined and was displaced as top PAC source
- In 2021 and 2022, share discharged to SNF has rebounded while home health care's share has declined

Note: SNF (skilled nursing facility), IPPS (Inpatient prospective payment system). IPPS discharges are classified based on first PAC site after IPPS discharge.

Source: MedPAC analysis of home health standard analytic file and MedPAR.

Access: FFS Medicare marginal profit on home health care was high in 2022



23%

With marginal profit of 23% on average, HHAs with available capacity have a financial incentive to serve FFS Medicare beneficiaries

Note: FFS (fee-for-service). We calculate SNFs' FFS Medicare marginal profit by comparing Medicare's SNF payments with the variable cost of treating an additional FFS Medicare patient.

Source: MedPAC analysis of Medicare freestanding home health agency cost reports.

Quality: Discharge to community rate declined while other measures were positive

Claims-based measures	January 1, 2018- December 31, 2019	January 1, 2021 to December 31, 2022
Discharge to community	77.7%	74.7%
		July 1, 2020 to December 31, 2022
Potentially-preventable readmissions	NA	3.9%
HH-CAHPS Percent of patients reporting:	2021	2022
High rating for agency performance	84%	84%
Would recommend agency	77%	78%
Agency communicated	85%	85%

- Share of patients discharged to the community declined in 2022
- Rate of potentially preventable readmission was low (comparable data not available for prior years)
- Patient experience measures were steady in 2022

Note: FFS (fee-for-service); HH-CAHPS® (Home Health Consumer Assessment of Healthcare Providers and Systems).

Source: Discharge to community measure and the rate of rehospitalization for potentially preventable conditions are risk-adjusted and include FFS Medicare beneficiaries.

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 7.9% in 2022
- Medicare Advantage insurers acquired three of the largest publicly-traded HHAs in the last three years
- Private equity investment slowed in 2022; estimated that 5.7% of HHAs are owned by private equity

Note: FFS (fee-for-service), PE (private equity).

Source: Medicare cost reports; Home Health Care news; Braff Group; Irvin Levin Associates; American Antitrust Institute.

Payments and costs: HHAs' financial performance under FFS Medicare continued to be strong in 2022

Provider type	FFS Medicare Margin
All	22.2%
25 th percentile	5.6%
75 th percentile	31.8%
Type of ownership	
For profit	23.5%
Nonprofit	15.8%
Geography	
Majority urban	22.2%
Majority rural	21.8%

- Average payment per 30-day period increased 3% in 2022 for freestanding HHAs
- Cost per 30-day period increased 4% in 2022

Source: MedPAC analysis of CMS cost report.

Note: Cost per 30-day period and payment per 30-day period exclude low-use periods.

Summary: Home health payment adequacy indicators



Beneficiaries access to care

- 98% live in a ZIP code with two or more HHAs
- Total volume decreased
- Share of hospital discharges to home health comparable to prior years
- 2022 FFS Medicare marginal profit: 23%



Quality of care

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



Access to capital

- 2022 all-payer margin: 7.9%
- HHAs have been focus of acquisition efforts by large insurance companies and private equity in recent years



Medicare payments and costs

- FFS Medicare margin in 2022: 22.2%



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