



Advising the Congress on Medicare issues

Assessing payment adequacy and updating payments: home health care services

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Overview

- Background on home health
- Payment adequacy
- Review of mandated report

Home health summary 2013

- \$17.9 billion total expenditures
- Over 12,600 agencies
- 6.7 million episodes for 3.5 million beneficiaries

Issues in Medicare home health care

- Effective service when appropriately targeted
- Broadly defined benefit coverage
- History of program integrity issues

Issues in Medicare home health care

- Payment system rewards the provision of more therapy visits in an episode.
- Payments too high; do not reflect cost of typical episode

Payment adequacy framework

- Access to care
 - Supply of providers
 - Service use and volume
- 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 12,600 in 2013
 - Number of agencies has increased 65 percent since 2004
 - Net increase of 302 agencies in 2013
 - Growth concentrated in relatively few areas

Volume and spending declined slightly in 2013 after several years of rapid growth

				Percent change	
	2002	2012	2013	2002-2012	2012-2013
Episodes (millions)	4.1	6.7	6.7	64.5	-0.5
Users (millions)	2.5	3.4	3.5	36.6	0.9
Episodes per user	1.6	2.0	1.9	20.4	-1.4
Share of FFS beneficiaries (percent)	7.2	9.2	9.3	28.2	0.5
Medicare expenditures for home health	9.6	18.0	17.9	88.5	-0.6

Source: Home health SAF 2012

Note: Data are preliminary and subject to revision.

Quality measures did not change significantly in 2013

Percent of non-hospitalized patients with improvement at home health discharge:	2003	2012	2013
Transferring	49.1	54.6	53.8
Walking	34.8	58.3	58.5
Hospitalization at end of episode	27.5	27.5	NA

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, though on less favorable terms than prior years
- Two large home health chains were acquired by health care firms seeking to expand home health business
- Continuing entry of new providers suggests adequate access to capital for expansion

Financial performance of freestanding HHAs in 2013

	<u>Medicare Margin</u>
All	12.7%
25 th	-3.4
75 th	22.0
Majority Urban	13.1
Majority Rural	11.0
For-Profit	13.7
Non-Profit	10.0

Source: Home health cost reports

Note: Data are preliminary and subject to revision.

Relatively efficient HHAs outperform other agencies in cost and quality

Relatively efficient agencies compared to other HHAs :

- Costs per visit that were 12 percent lower and Medicare margins that were 41 percent higher
- Higher episode volume (larger in size)
- Rate of hospitalization was 24 percent lower
- Similar patients and provided similar services

Note: Data are preliminary and subject to revision.

Payment reductions from rebasing in 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%	-0.6%	-0.4%	-0.4%	-2%

- Cumulative change is less than 2 percent because reductions for rebasing (-2.8 to -3.0 percent a year) are offset by annual payment update (+2.3 to +2.5 percent a year)

Note: Data are preliminary and subject to revision.

PPACA rebasing unlikely to significantly affect quality or access

- Examined relationship of changes in payment to changes in quality and access in 2001 to 2012
- Utilization and agency supply has more than doubled in 2001 through 2012; past reductions did not impair access
- Functional measures improved while hospitalization rates did not change significantly regardless of direction of payment policy

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

- Access generally adequate
 - Number of HHAs continues to grow
 - Share of users and volume of episodes steady after several years of rapid increases
- Most quality measurements steady or small improvement
- Access to capital is adequate
- Margin for 2013: 12.7 percent

Note: Data are preliminary and subject to revision.