

# **Assessing payment adequacy and updating payments: Home health care services**

Evan Christman

December 13, 2024

# Presentation roadmap

- 1 Overview of home health care use and spending under FFS Medicare
- 2 Access to home health care
- 3 Quality of home health care
- 4 Home health agencies' access to capital
- 5 FFS Medicare payments and home health agencies' costs
- 6 Chair's draft recommendation

# Overview of home health care use and spending under FFS Medicare, 2023



**Home health agencies**

Over 12,000



**Users**

2.7 million (7.8% of FFS Medicare beneficiaries)



**Volume**

8.3 million 30-day periods



**Payments for services**

\$15.7 billion

**Note:** FFS (fee-for-service).  
**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
- Potentially preventable rehospitalization
- 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 home health base rate**

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

# Access: HHA capacity remained adequate in 2023



## Most beneficiaries live in an area served by HHAs

- Over 98% of FFS Medicare beneficiaries lived in a ZIP code served by at least 2 HHAs
- 88% lived in a ZIP code served by 5 or more HHAs



## Supply of providers

- Overall numbers of HHAs increased by 3.4% in 2023
- Excluding high-growth area (Los Angeles County, CA), declined 2.8%

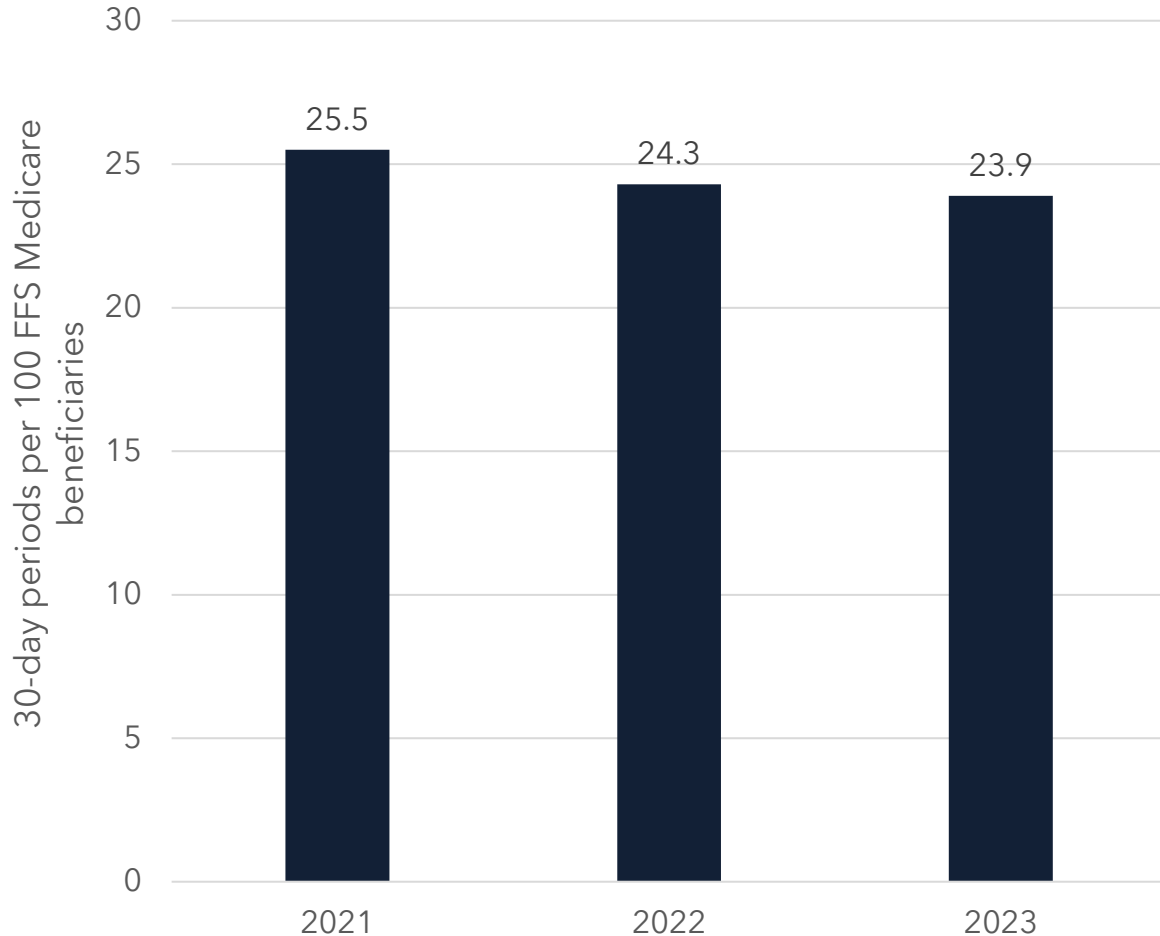


## HHAs reported timely initiation of care

- 96.1% of home health stays were reported by HHAs as initiated on a timely basis

**Note:** HHA (home health agency), FFS (fee-for-service).  
**Source:** MedPAC analysis of Home Health Compare data and Provider of Service file.

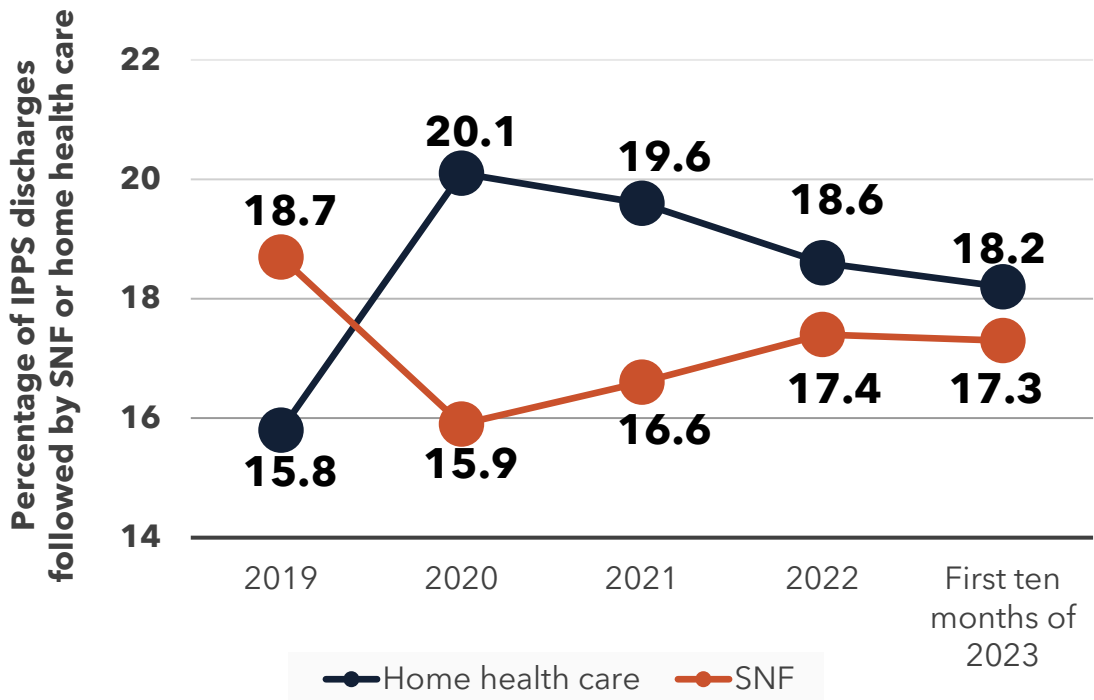
# Access: Per capita volume was lower in 2023



- Number of 30-day periods per FFS beneficiary declined by 3.9% in 2023
  - Urban: 24.4 per 100 FFS Medicare beneficiaries
  - Rural: 21.9 per 100 FFS Medicare beneficiaries
- Per capita home health utilization was declining before pandemic; decline in IPPS use has contributed to trend

**Note:** FFS (fee for service), IPPS (inpatient prospective payment systems).  
**Source:** MedPAC analysis of home health standard analytic files and the 2024 Medicare Trustees Report.

# Access: Rate of HH use after inpatient hospital stay remained above prepandemic level in 2023



- In 2020, share of FFS hospital inpatients discharged to home health increased 4+ percentage points, while SNF use declined
- From 2021 through 2023, share of FFS hospital inpatients discharged to home health declined but remained higher than in 2019

**Note:** HH (home health), IPPS (inpatient prospective payment systems), SNF (skilled nursing facility), PAC (post-acute care). IPPS discharges are classified based on first PAC site after IPPS discharge.

**Source:** MedPAC analysis of home health standard analytic files and Medicare Provider Analysis and Review.

# Quality of home health care was stable in 2023

Claims-based measures	January 1, 2021, to December 31, 2022	January 1, 2022, to December 31, 2023
Discharge to community	79.3%	80.6%
	January 1, 2021, to December 31, 2023	
Potentially preventable readmissions	3.8	

HH-CAHPS® share of patients reporting:	2022	2023
High rating for agency performance	84%	85%
Would recommend agency	78	78
Agency communicated well with patient	85	86

- Share of patients discharged to the community increased slightly in 2023
  - Rate of potentially preventable readmission was low (comparable data not available for prior years)
  - Patient experience measures were steady in 2023
- Note:** FFS (fee-for-service), HH-CAHPS® (Home Health Consumer Assessment of Healthcare Providers and Systems®). Discharge to community measure and rate of potentially preventable conditions are risk adjusted and pertain to FFS Medicare beneficiaries only.
- Source:** MedPAC analysis of claims-based outcome measures from the Provider Data Catalog, CMS summary of HH-CAHPS® public report of survey results tables.



# Access to capital: Limited indicator for HHAs, but investor interest continues

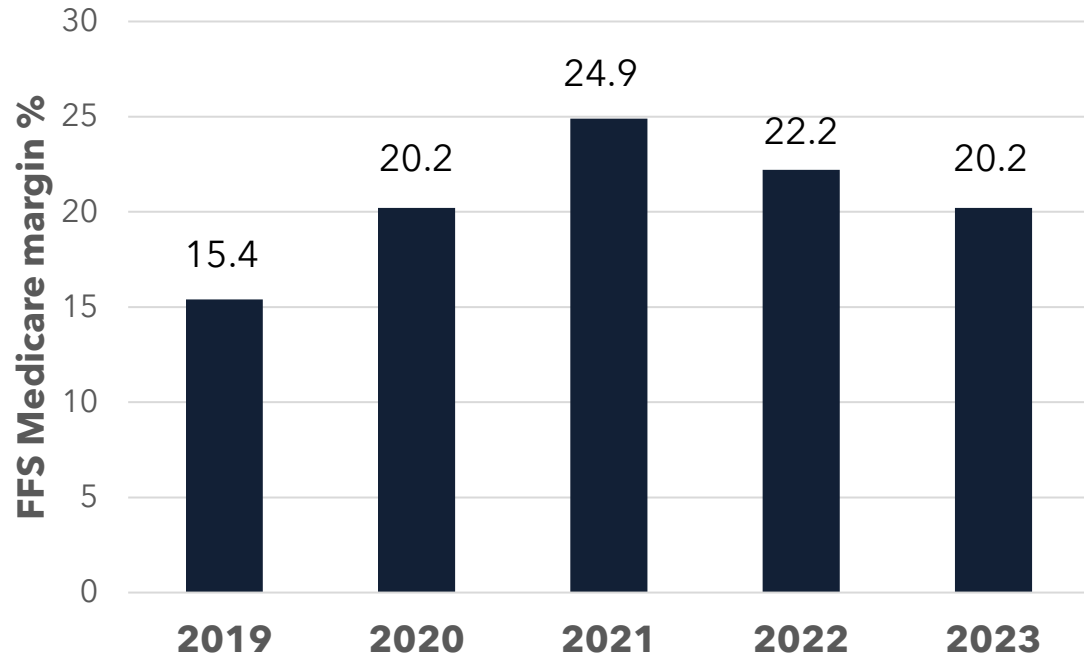
---

- Home health care is less capital intensive than other sectors
- All-payer margin of 8.2% in 2023
- Mergers and acquisition activity peaked in 2021 and 2022 and slowed in the last two years; some firms continue to expand despite slowdown

**Note:** HHA (home health agency).

**Source:** Medicare cost reports, *Home Health Care News*, Braff Group.

# Payments and costs: Freestanding HHAs' financial performance under FFS Medicare continued to be strong in 2023



Provider	FFS Medicare margin
<u>All</u>	20.2%
25th percentile	3.8
75th percentile	30.8
<u>Type of ownership</u>	
For profit	21.5
Nonprofit	13.3
<u>Geography</u>	
Majority urban	20.2
Majority rural	20.1

Note: HHA (home health agency), FFS (fee-for-service).  
 Source: MedPAC analysis of CMS cost report.

# Payments and costs: FFS Medicare margin for HHAs projected to remain high in 2025

20.2%

**2023 margin**



19%

**2025 projected margin**

**Note:** HHA (home health agency), FFS (fee-for-service).  
**Source:** MedPAC analysis of HHA cost report and claims data, CMS final rules, and CMS market basket data.

# Summary: Home health payment adequacy indicators



## Beneficiaries access to care

- 98% live in a ZIP code with 2 or more HHAs
- FFS Medicare per capita volume decreased
- Share of hospital discharges to home health higher than prepandemic level

**Mostly positive**



## Quality of care

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

**Positive**



## Access to capital

- 2023 all-payer margin: 8.2%
- HHAs' acquisition efforts have slowed, but firms have continued to acquire HHAs

**Positive**



## Medicare payments and costs

- FFS Medicare margin in 2023: 20.2%
- Projected FFS Medicare margin for 2025: 19%

**Positive**

**Note:** HHA (home health agency), FFS (fee-for-service).



# Chair's draft recommendation

# Chair's draft recommendation

For calendar year 2026, the Congress should reduce the 2025 Medicare base payment rates for home health care services by 7 percent.

## Implications:

- *Spending*: Decrease spending relative to current law
- *Beneficiary and provider*: No adverse effect on access to care; continued willingness and ability of providers to treat FFS beneficiaries

Note: FFS (fee-for-service).



*Advising the Congress on Medicare issues*

# Medicare Payment Advisory Commission

 [www.medpac.gov](http://www.medpac.gov)

 [@medicarepayment](https://twitter.com/medicarepayment)