



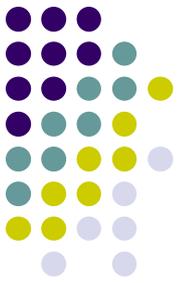
MEDICARE HOME HEALTH RATE REBASING 2014

2014 Medicare Home Health Rate Final Rule



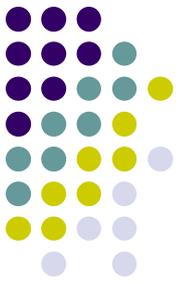
- CMS Proposed Rule (July 3, 2013) <http://www.gpo.gov/fdsys/pkg/FR-2013-07-03/pdf/2013-15766.pdf>
- CMS Final Rule (December 2, 2013) <http://www.gpo.gov/fdsys/pkg/FR-2013-12-02/pdf/2013-28457.pdf>
- **Rebased payment rates**
 - Full cut (3.5%) allowed under law (14 points total)
 - Recalibrated case mix weights
 - Limits increases in LUPA visit rates
 - “average cost” calculation
- **Outlier eligibility remains same despite low spending**
- **Remember 2% payment sequestration (February 1 and later payments)**
- **Remember wage index changes (net reduction of \$30M in expenditures)**

2014 Medicare Home Health Rate Final Rule: Assessment



- **CMS chose unfavorable calculation method**
 - **Used proxies for episode revenue and costs**
- **Better alternatives available**
- **Ignored cost increases and costs not on cost report**
 - **Telehealth**
 - **F2F; therapy assessment**
- **Silo-ed rebasing rather than aggregation**
- **Failed to include capital needs**

HPPPS 2014: Rebased payment rates



- **Rebasing**

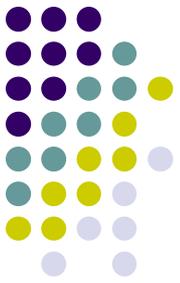
- **Changes in the nature of the services provided during the 60 episode of care along with what it perceived to be “overpayments” for services**
- **Required by the ACA**
- **Phase in over 4 years**
- **Average cost compared to average payments**
- **Difference = - 13.63%**
- **Decrease rates by 3.5 % for the next four years**



Final HPPS -2014

- **2014 base rate**
 - **Estimated average cost to average reimbursement for 2013**
 - **Estimated Cost \$2565.51 to estimated reimbursement - \$2952.03**
 - **-13.09%**
 - **Minus 3.5 % of 2010 rates for rebasing**
 - **2.3 market basket increase**
 - **Plus other factors**
- **Base rate in 2014 -\$2869.27**
- **Base rate in 2013 – \$2137.73**

Final HPPS rebasing -2014

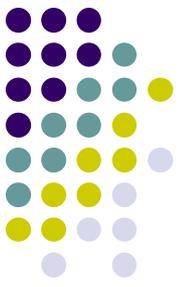


- Case mix weights decreased by 26 %
 - **Average weight should be 1**
 - **Average weight 1.3547 in 2012**
 - **Coding changes impact average weight**
 - **1.3464 adjustment made**
- Base rate in 2014 -\$2869.27
- Base rate in 2013 – \$2137.73
 - **HHRG = C1F1S1**
 - **2013 - \$2137.37 X .8186 = \$1749.65**
 - **2014 - \$2,860.20 X .6080 = \$1739.00**
- 1.05% decrease in base rate
- 2.0% Sequestration

Final HHPPS -2014



- **LUPA Rates**
 - **+ 19.5%**
 - **3.5% increase over the next four years**
 - **Capped at 3.5% of 2010 rates**
 - **LUPA add on not a single rate but calculated depending on the discipline**
- **NRS**
 - **-9.2%**
 - **Reduce by 2.58% next four years**
 - **Conversion factor \$53.65 for 2014**
 - **\$53.97- 2013**



ACA Does Not Require HH Funding to be Cut 3.5% per Year

- ACA Section 3131 provides the Secretary significant discretionary authority in implementing its provisions:
 - **The Secretary is not required to reduce home health payments.**
 - **The Secretary may select any level of annual rebasing adjustment, so long as it does not exceed +/- 3.5% of 2010 rates annually.**
 - **As a result, the ACA does not require the Secretary to implement rebasing by cutting home health funding by 3.5% per year.**

Section 3131. Payment Adjustments for Home Health Care



(a) REBASING HOME HEALTH PROSPECTIVE PAYMENT AMOUNT.—

(1) IN GENERAL.—Section 1895(b)(3)(A) of the Social Security Act (42 U.S.C. 1395fff(b)(3)(A)) is amended—

(A) in clause (i)(III), by striking “For periods” and inserting “Subject to clause (iii), for periods”; and

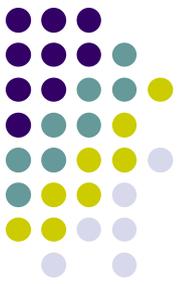
(B) by adding at the end the following new clause: [As revised by section 1031(a)]

“(iii) ADJUSTMENT FOR 2014 AND SUBSEQUENT YEARS.—

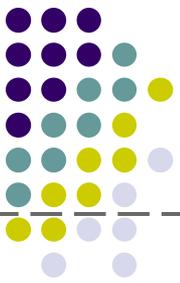
“(I) IN GENERAL.—Subject to subclause (II), for 2014 and subsequent years, the amount (or amounts) that would otherwise be applicable under clause (i)(III) shall be adjusted by a percentage determined appropriate by the Secretary to reflect such factors as changes in the number of visits in an episode, the mix of services in an episode, the level of intensity of services in an episode, the average cost of providing care per episode, and other factors that the Secretary considers to be relevant. In conducting the analysis under the preceding sentence, the Secretary may consider differences between hospital-based and freestanding agencies, between for-profit and nonprofit agencies, and between the resource costs of urban and rural agencies. Such adjustment shall be made before the update under subparagraph (B) is applied for the year.

“(II) TRANSITION.—The Secretary shall provide for a 4-year phase-in (in equal increments) of the adjustment under subclause (I), with such adjustment being fully implemented for 2017. During each year of such phase-in, the amount of any adjustment under subclause (I) for the year may not exceed 3.5 percent of the amount (or amounts) applicable under clause (i)(III) as of the date of enactment of the Patient Protection and Affordable Care Act.”

The Rule Suffers from Technical & Process Flaws



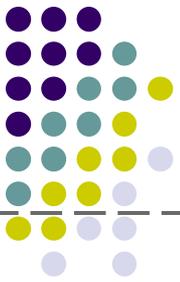
- CMS' proposed rule suffers from technical and process flaws that result in a deeper rebasing cut than is appropriate or sustainable.
 - **The Rule uses outdated 2011 data (CMS has 2012 data).**
 - **The Rule under-estimates costs and over-estimates revenue.**
 - **The Rule assesses its impact in just 1 of the 4 rebasing years.**
 - **The Rule does not comply with the Regulatory Flexibility Act.**
 - **The Rule does not comply with Executive Order 13563**



Concerns with CMS Methodology

- CMS' methodology splits the bundled payment model into four distinct components where the sum of the parts is **less** than the whole and rebases to an aggregate that is below average cost:
 - **Proposal rebases “normal” episode to cost**
 - **LUPA rates set below cost**
 - *LUPA payments are 54.7% of costs (2012)*
 - **PEP rates set below cost**
 - *PEP payments are 48.4% of costs (2012)*
 - **Outlier payments below cost**
 - *Outlier payments are 53.6% of costs (2012)*

Other Methodology Issues

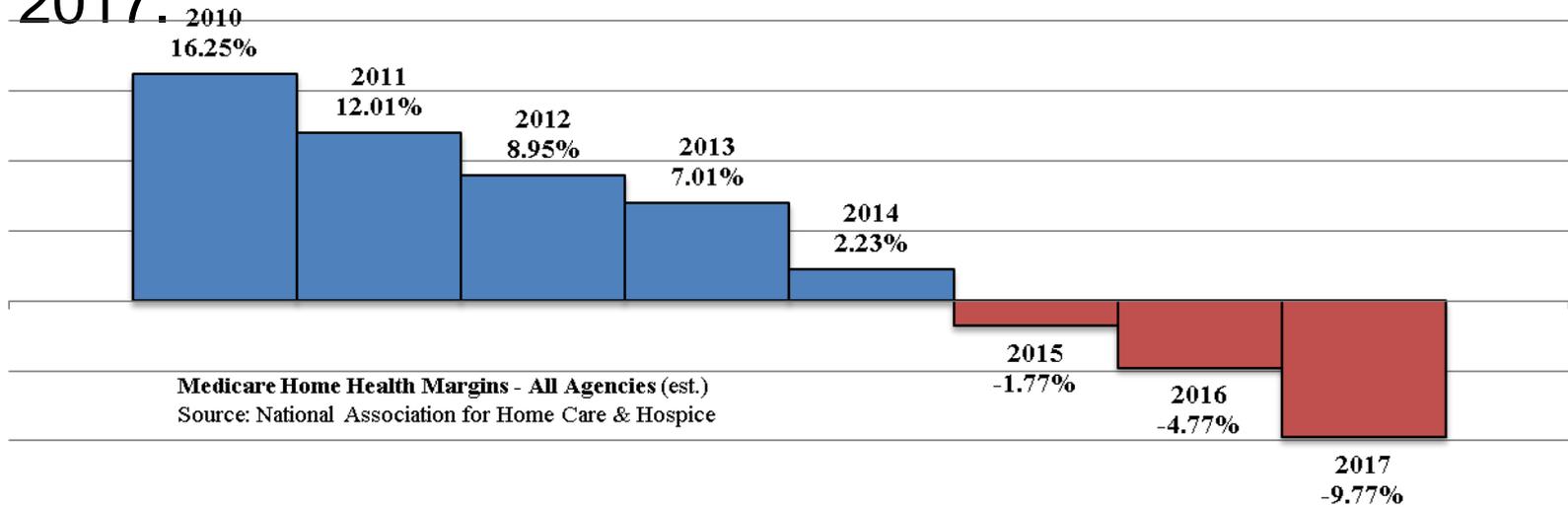


- Other methodology issues include:
 - **Relies on proxies for payment and cost determinations although actual updated 2012 cost report data is available**
 - **Does not properly forecast the impact of rate cuts that succeed the base year**
 - **Does not recognize all current costs (e.g., new regulatory compliance costs and the use of clinical technologies and services routinely used in a home health episode of care)**
 - **Does not factor in the essential need for operating capital (such as to fund growth, update IT infrastructure, etc.)**



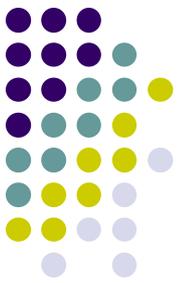
Impact of Methodology Issues

- As a result of the above, Medicare margins for home healthcare are projected to drop to a negative (9.77%) by 2017.

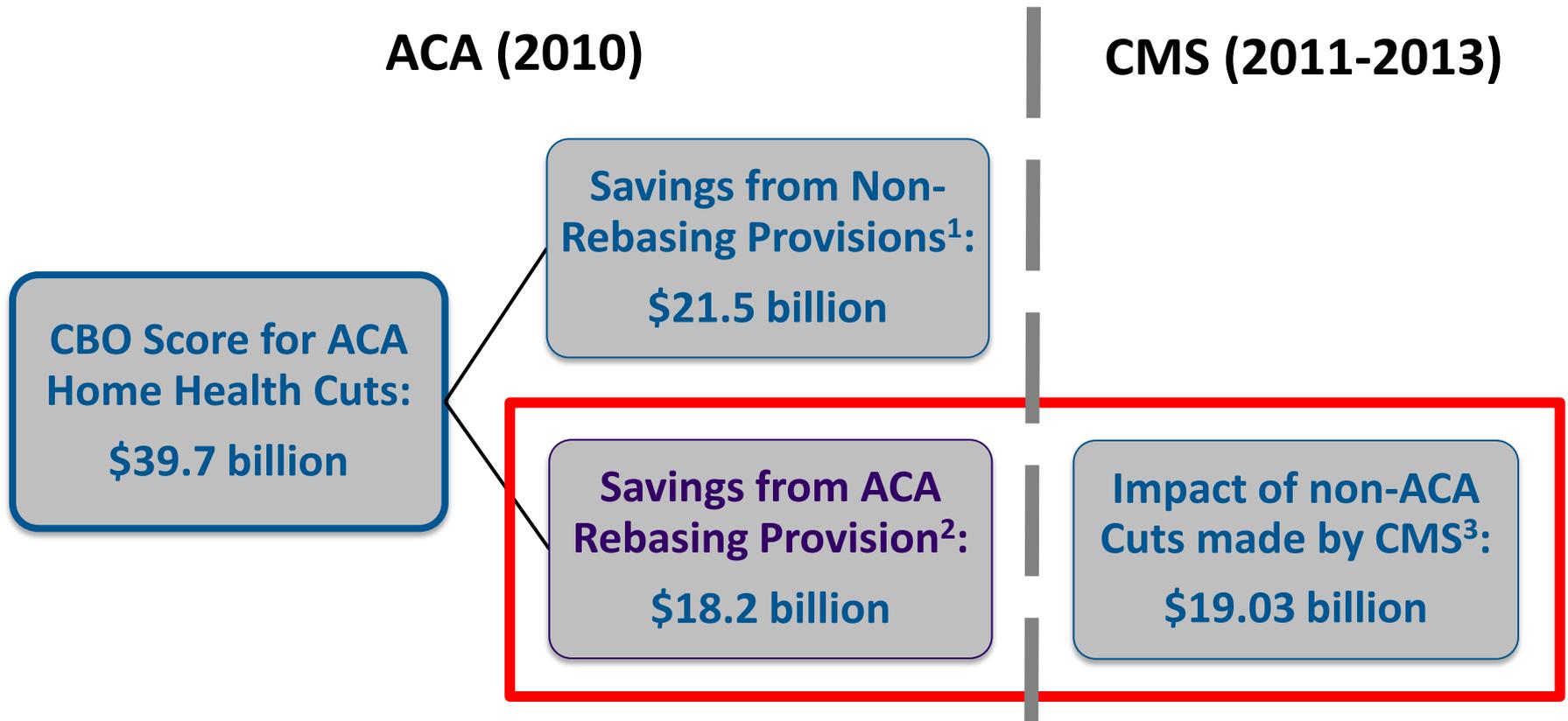


- It is further estimated that 72.9% of all home healthcare agencies will be operating below cost by 2017.

CMS has Significantly Reduced HH Funding since ACA



Rebasing savings have already been exceeded by CMS' post-ACA cuts.



^{1,2} Avalere Health calculation.

³ Avalere Health calculation of 10-year impact of post-ACA case mix adjustments made by CMS in 2010, 2011 and 2012.

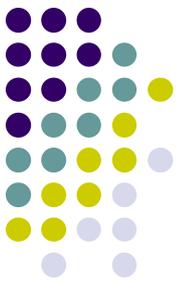
Recommended Resolution



To Avoid the Projected Impact and Implications of the Home Health Rule, the Obama Administration Should:

- **Factor in overall margins (inclusive of Medicaid and Medicare Advantage)**
- **Rebase to the aggregate (bundled payment for services requires rebasing to the bundle) and/or Rebase to more than 100% of the mean/median (previous cost limits and IPS used a % of mean/median)**
- **Incorporate a factor recognizing the need for capital**
- **Include add-on for new regulatory costs and disregarded costs**
- **Factor in the margin trends established by 2012 cost reports**

Recommended Resolution



To Avoid the Projected Impact and Implications of the Home Health Rule, the Obama Administration Should:

- **Use complete and accurate data from 2012, not partial 2011 data;**
- **Conduct impact analyses for each of the 4 years in which the rebasing cut is to be implemented (2014-2017) to ensure sufficient rates to ensure continued access to care pursuant to Section 1895(b)(2);**
- **Conduct the cumulative and small business impact analyses required by Executive Order 13563 and the Regulatory Flexibility Act; and**
- **Revise the proposed rebasing adjustment based on the above.**