BLACKTREE
HEALTHCARE CONSULTING

Financial Impact of the Proposed Medicare Rate Changes for 2016

August 2015

Overview

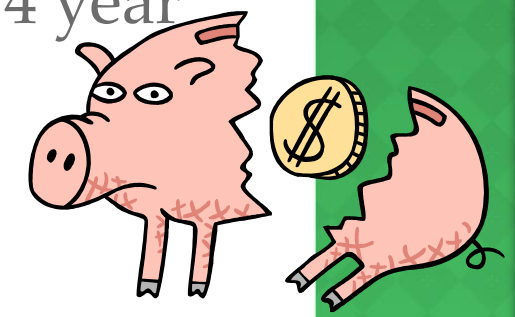
- Financial Basics to the Proposed Rule
- Stats
- Home Health Value Based Purchasing Model
- Home Health Quality Reporting Program
- Wage Index Changes
- Recalibration
- General Impact
- Questions

Financial Basics of the Proposed Rule

- CMS estimates a decrease of $350M in payments
  - $420 million increase due to market basket update (2.3%)
  - $300 million decrease due to reduction in standard episode rate (-1.72%)
  - $470 million decrease due to the rebasing adjustment (-2.5%)

Financial Basics of the Proposed Rule

- CY 2016 Base Rate = $2,938.37 (~.77% decrease from CY 2015)
- Base rate includes
  - 0.17% decrease due to wage index budget neutrality factor
  - 2.17% decrease due to case-mix weights budget neutrality factor
  - Rebasing = $80.95 reduction (3rd year of 4 year plan)
  - 2.3% increase for market basket update



Financial Basics of the Proposed Rule

TABLE 10: CY 2016 60-day National, Standardized 60-Day Episode Payment Amount

CY 2015 National, Standardized 60-Day Episode Payment	Wage Index Budget Neutral-ity Factor	Case-Mix Weights Budget Neutral-ity Factor	Nominal Case-Mix Growth Adjust-ment (1-0.0172)	CY 2016 Rebas-ing Adjust-ment	CY 2016 HH Payment Update Percent-age	CY 2016 National, Standardized 60-Day Episode Payment
$2,961.38	X 1.0006	X 1.0141	X 0.9828	-$80.95	X 1.023	$2,938.37

- Decrease of $23.01 from 2015 base rate

Financial Basics of the Proposed Rule

- Rural Add-on of 3% extended for episodes and visits ending before 1/1/18.
- Rural Add-On payment for 60 day episode with Quality Data submitted = $3,026.52
- NRS base rate went down slightly from $53.23 to $52.92
- No change in outliers

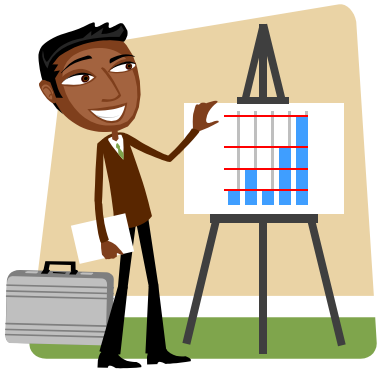
LUPA Rates

TABLE 12: CY 2016 National Per-Visit Payment Amounts for HHAs That DO Submit the Required Quality Data

HH Discipline Type	CY 2015 Per-Visit Payment	Wage Index Budget Neutrality Factor	CY 2016 Rebasing Adjustment	CY 2016 HH Payment Update Percentage	CY 2016 Per-Visit Payment
Home Health Aide	$57.89	X 1.0006	+ $1.79	X 1.023	$61.09
Medical Social Services	$204.91	X 1.0006	+ $6.34	X 1.023	$216.23
Occupational Therapy	$140.70	X 1.0006	+ $4.35	X 1.023	$148.47
Physical Therapy	$139.75	X 1.0006	+ $4.32	X 1.023	$147.47
Skilled Nursing	$127.83	X 1.0006	+ $3.96	X 1.023	$134.90
Speech-Language Pathology	$151.88	X 1.0006	+ 4.70	X 1.023	$160.27

- LUPA Add-on factors remain the same
  - SN – 1.8451 ; PT – 1.6700 ; ST – 1.6255

Stats



Home Health Stats

TABLE 4: Home Health Statistics, CY 2011 through CY 2014

	2011	2012	2013	2014
Number of episodes	6,821,459	6,727,875	6,708,923	6,451,283
Beneficiaries receiving at least 1 episode (Home Health Users)	3,449,231	3,446,122	3,484,579	3,381,635
Part A and/or B FFS beneficiaries	37,686,526	38,224,640	38,505,609	38,506,534
Episodes per Part A and/or B FFS beneficiaries	0.18	0.18	0.17	0.17
Home health users as a percentage of Part A and/or B FFS beneficiaries	9.2%	9.0%	9.0%	8.8%
HHAs providing at least 1 episode	11,446	11,746	11,889	11,693
HHAs per 10,000 Part A and/or B FFS beneficiaries	3.0	3.1	3.1	3.0

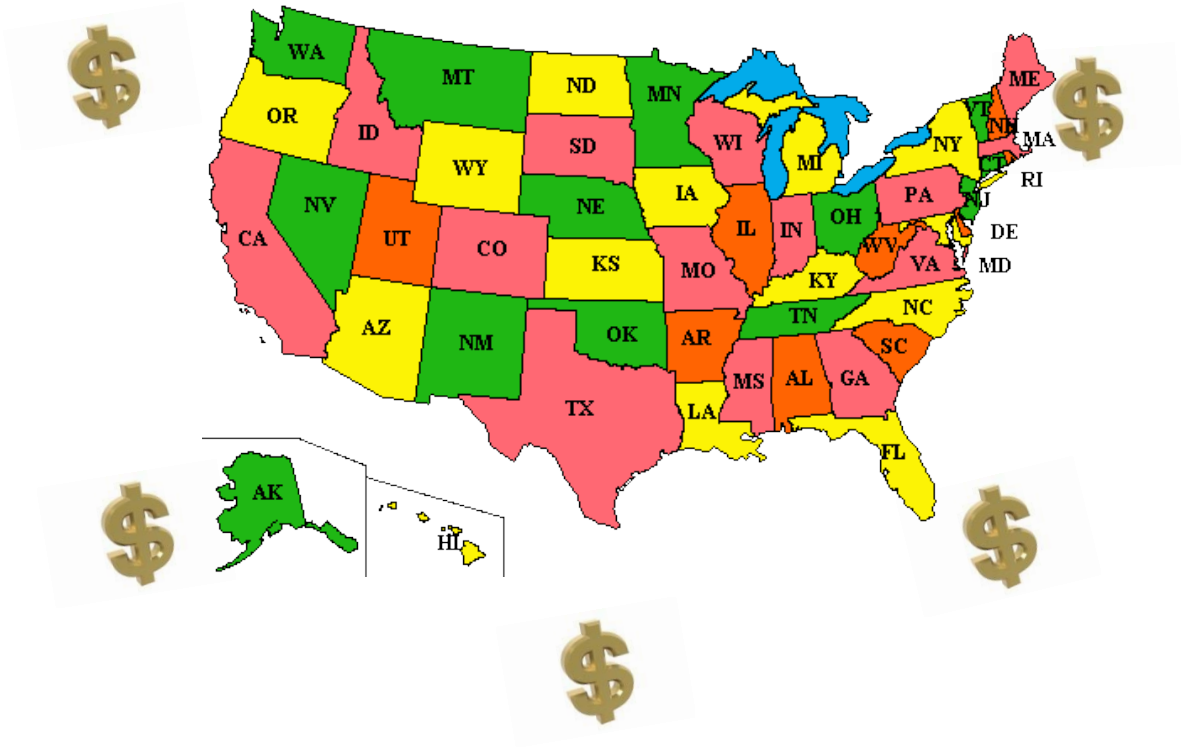
Home Health Stats

- Review of CY 2014 data (1st year of 4 year rebasing period)
  - 3.8% decrease in # of episodes between 2013 and 2014
  - 3% decrease in # of home health users between 2013 and 2014
  - 1.6% decrease in # of HHAs billing Medicare for home health
    - Mostly due to decreases in FL and TX
      - Two states with higher utilization of Medicare Home Health

Home Health Stats

- Average payment per visit has steadily increased since CY 2001
- Average number of visits per 60 day episode has decreased
- Between CY 2009 – CY 2014
  - Therapy visits per 60 day episode has increased slightly
  - Skilled nurse and Home Health Aide visits has declined
  - Home Health study suggests the "current home health payment system discourages agencies from serving patients with clinically complex and/or poorly controlled chronic conditions"
    - These conditions would not qualify for therapy visits but would require a large number of nursing or aide visits.

Home Health Value Based Purchasing Model



Home Health Value Based Purchasing Model (HHVBP)

- Proposal
  - Applying a reduction or increase to current Medicare payments to Medicare certified HHAs providing care within certain states
  - Adjustments to payments based on performance on quality measures
  - Population includes all Medicare beneficiaries receiving care in the designated states
    - Nine states selected from nine geographic groupings
    - Selected states are: Massachusetts, Maryland, North Carolina, Florida, Washington, Arizona, Iowa, Nebraska, and Tennessee (states subject to change in Final Rule)
  - If implemented, program would consist of 5 performance years; CY 2016 thru CY 2020

Home Health Value Based Purchasing Model (HHVBP)

- Goals
  - Adjustments that reward HHAs with improved quality and penalize those with poor performance should incentivize agencies to provide better quality care with greater efficiency
  - Study new potential quality and efficiency measures for appropriateness in a home health setting
  - Enhance current public reporting process

Home Health Value Based Purchasing Model (HHVBP)

- Competition
  - All Medicare certified HHAs within the selected states are required to participate in this program
  - Agencies would compete for the payment increases against other agencies of similar size in the same state
    - Small Volume Cohort agencies – HHAs exempt from HHCAHPS
    - Large Volume Cohort agencies – HHAs participating in HHCAHPS
  - Payment increases or reductions can also be applied based on comparison of an agency's own past performance
    - CY 2015 is the baseline year used to measure past performance in each of the years of this HHVBP model

Home Health Value Based Purchasing Model (HHVBP)

- Proposed Quality Measures
  - Initial 25 quality measures come from data collected via OASIS, Medicare claims, HHCAHPS survey, and data collected directly from the HHAs to CMS
    - 10 Process Measures
      - Timely Initiation of Care
      - Care Management Types and Sources of Assistance
      - Pressure Ulcer Prevention and Care
      - Multifactor Fall Risk Assessment
      - Depression Assessment
      - Flu vaccine data collection
      - Flu immunization received for Current flu season
      - Pneumococcal vaccine ever received
      - Reason pneumococcal vaccine not received

Home Health Value Based Purchasing Model (HHVBP)

- Proposed Quality Measures (cont.)
  - 10 Process Measures continued
    - Drug education on all medications provided to patient/caregiver during all episodes of care
  - 15 Outcome Measures
    - Improvement in Ambulation
    - Improvement in Bed Transferring
    - Improvement in Bathing
    - Improvement in Dyspnea
    - Discharged to Community
    - Acute Care Hospitalization during first 60 days of home care
    - Emergency Department use without hospitalization
    - Improvement in Pain Interfering with Activity

Home Health Value Based Purchasing Model (HHVBP)

- Proposed Quality Measures (cont.)
  - 15 Outcome Measures continued
    - Improvement in management of oral medications
    - Prior functioning ADL/IADL
    - Care of patients
    - Communication between providers and patients
    - Specific care issues
    - Overall rating of home health care
    - Willingness to recommend agency

Home Health Value Based Purchasing Model (HHVBP)

- Proposed Quality Measures (cont.)
  - 4 proposed new measures
    - Adverse event for improper medication administration and/or side effects (Outcome)
    - Flu vaccine coverage for home health personnel (Process)
    - Herpes Zoster (Shingles) vaccine: Has patient received? (Process)
    - Advanced Care Plan (Process)

Home Health Value Based Purchasing Model (HHVBP)

- Total Performance Scoring
  - 90% of TPS comes from the higher of score either Achievement or Improvement Points
    - Each quality indicator is scored individually and weighted equally
  - 10% of TPS comes from the submission of data for new measures

Benchmark/Achievement Threshold

Benchmark

- Each state will have their own benchmark
- Calculated as the Mean of the top decile (top 10%)

Achievement Threshold

- Each state will have their own Achievement Threshold
- Calculated as the Median of all scores for each outcome

Achievement Score

- Agency Score meet Benchmark 10 points
- Agency Score = or > achievement threshold then formula used to assign points of 1-9 points
- Agency Score < achievement threshold 0 points

Achievement Formula:

9x[HHA Performance Score – Achievement Threshold)/(Benchmark-Achievement Threshold)] +0.5

Improvement Score

- Agency Score meet Benchmark 10 points
- Agency Score > baseline then formula used to assign points of 1-9 points
- Agency Score is = or < baseline 0 points

Improvement Formula

10x[(HHA performance period score-Baseline Period score)/(Benchmark-Agency Baseline Score)] – 0.5

Examples

Improvement in Ambulation

State Benchmark is 68% (mean of top %)

Achievement Threshold is 65% (median of all)

Agency Score is 66% Baseline is 64

Achievement Score:

9x[(66-65)/(68-65) + 0.5 = 9x(.33) +0.5= **3.5**

Improvement Score

10x[(66-64)/(68-64)-0.5 = 10x(.5)-0.5= **4.5**

FORMULA FOR % PAYMENT ADJUSTMENT

Multiple Steps

a) TPS
b) Prior Year Aggregate HHA payment x 8
c) TPS Adjusted amount: (a/100) x b
d) Linear Exchange Function 1.93
e) Final TPS Adj. Payment = cx d
f) Quality Adjustment Payment Rate = e/b
g) Final Percent Payment Adjustment: f-8%

Home Health Value Based Purchasing Model (HHVBP)

- Payment Adjustment Timeline
  - First adjustments will be made beginning 1/1/2018
    - Adjustments made in CY 2018 will be based off of performance measures for CY 2016
    - Adjustments will continue to be made through CY 2022 for performance measures in CY 2020

Home Health Value Based Purchasing Model (HHVBP)

- Payment Adjustment Structure
  - Adjustments made in:
    - 2018 & 2019 → +/- 5% adjustment
    - 2020 → +/- 6% adjustment
    - 2021 & 2022 → +/- 8% adjustment

Home Health Value Based Purchasing Model (HHVBP)

- Performance Reports
  - Quarterly performance reports made available starting July 2016 (for Q1 2016)
  - HHAs can review and dispute results
    - Recalculation requests submitted to CMS
    - Agencies have 10 days from receiving report to submit recalculation requests

Home Health Value Based Purchasing Model (HHVBP)

- Performance Reports
  - HHAs will be notified in advance of their performance level and payment adjustment
    - For CY 2016, this notification will come on 8/1/2017
  - Agencies have a 10 day preview period
    - Time to review payment adjustment calculations and request a recalculation if a discrepancy is identified due to a CMS error
  - Reconciliation final report provided to agencies no later than 60 days in advance of the payment adjustment taking effect

Home Health Value Based Purchasing Model (HHVBP)

- Financial Impact to MA HHAs
  - No impact on 2016 rates
  - Agency rates will be individual based on CY15 baseline and CY16 performance
- Overall Financial Impact
  - $380 million reduction in payments over life of proposed model

Home Health Quality Reporting Program (HHQRP)

HHQRP

- Adding a Quality Measure for Reporting
  - Skin Integrity and Changes in Skin Integrity
    - Quality measure must be implemented by 1/1/2017
    - Pulls directly from questions on the OASIS C1
      - M1308 – Current # of unhealed pressure ulcers at each stage or unstageable
      - M1309 – Worsening in pressure ulcer status since SOC/ROC
    - Relates to Stage 2 – Stage 4 pressure ulcers

HHQRP

- Future Quality Measures under consideration

IMPACT Act Domain	**Measures to reflect all-condition risk-adjusted potentially preventable hospital readmission rates**
Measures	Application of (NQF #2510)*: Skilled Nursing Facility 30-Day All-Cause Readmission Measure (SNFRM)* CMS is the steward
	Application of the LTCH/IRF All-Cause Unplanned Readmission Measure for 30 Days Post Discharge from LTCHs/IRFs
IMPACT Act Domain:	**Resource Use, including total estimated Medicare spending per beneficiary**
Measure	Payment Standardized Medicare Spending Per Beneficiary (MSPB)
IMPACT Act Domain	**Discharge to community**
Measure	Percentage residents/patients at discharge assessment, who discharged to a higher level of care versus to the community.
IMPACT Act Domain	**Medication Reconciliation**
Measure	Percent of patients for whom any needed medication review actions were completed.

Wage Index Changes

Wage Index Changes

- Continues to be based on pre-floor, pre-classified hospital IP data
- 50/50 blend of existing CBSA designations and the new CBSA designations has expired
- Proposed wage index is fully based on the new CBSA codes

Massachusetts Wage Index Changes

County Name	CY 2015 Transition Wage Index	CY 2016 Proposed Rate	Change	% Change
Barnstable	1.3124	1.345	0.0326	2.5%
Berkshire	1.0807	1.0584	-0.0223	-2.1%
Bristol	1.0634	1.0662	0.0028	0.3%
Dukes	1.2737	1.1283	-0.1454	-11.4%
Essex	1.0964	1.1191	0.0227	2.1%
Franklin	1.0912	1.1283	0.0371	3.4%
Hampden	1.0249	1.0285	0.0036	0.4%
Hampshire	1.0249	1.0285	0.0036	0.4%
Middlesex	1.1245	1.1191	-0.0054	-0.5%
Nantucket	1.2737	1.1283	-0.1454	-11.4%
Norfolk	1.2679	1.3085	0.0406	3.2%
Plymouth	1.2679	1.3085	0.0406	3.2%
Suffolk	1.2679	1.3085	0.0406	3.2%
Worcester	1.1509	1.1667	0.0158	1.4%

Recalibration

Recalibration

- What is it?
  - CMS updated the case mix weights and clinical/functional thresholds for all the HIPPS codes
- What does it mean for you?
  - Payment amounts are now different for each HIPPS code
  - Clinical/Functional scoring scenarios on the OASIS are changed
- Recalibration to occur annually based on new claims data
  - Annual updates begin with CY 2016

CY2016 Clinical/Functional Domain Scoring

TABLE 7: CY 2016 Clinical and Functional Thresholds

		1st and 2nd Episodes		3rd+ Episodes		All Episodes
		0 to 13 therapy visits	14 to 19 therapy visits	0 to 13 therapy visits	14 to 19 therapy visits	20+ therapy visits
Grouping Step:		1	2.1	3	2.2	4
Equation(s) used to calculate points: (see Table 6)		1	2	3	4	(2&4)
Dimension	Severity Level					
Clinical	C1	0 to 1	0	0	0 to 3	0 to 3
	C2	2 to 3	1 to 7	1	4 to 12	4 to 16
	C3	4+	8+	2+	13+	17+
Functional	F1	0 to 14	0 to 6	0 to 6	0	0 to 2
	F2	15	7 to 13	7 to10	1 to 7	3 to 6
	F3	16+	14+	11+	8+	7+

- Highlighted areas indicated changes from CY 2015 thresholds

CY2015 Clinical/Functional Domain Scoring

TABLE 13: CY 2015 Clinical and Functional Thresholds

		1st and 2nd Episodes		3rd+ Episodes		All Episodes
		0 to 13 therapy visits	14 to 19 therapy visits	0 to 13 therapy visits	14 to 19 therapy visits	20+ therapy visits
Grouping Step:		1	2	3	4	5
Equation(s) used to calculate points: (see Table 12)		1	2	3	4	(2&4)
Dimension	Severity Level					
Clinical	C1	0 to 1	0 to 1	0	0 to 5	0 to 3
	C2	2 to 3	2 to 7	1	6 to 12	4 to 16
	C3	4+	8+	2+	13+	17+
Functional	F1	0 to 14	0 to 3	0 to 9	0	0 to 2
	F2	15	4 to 13	10	1 to 7	3 to 5
	F3	16+	14+	11+	8+	6+

General Impact

General Impact*

- Table 24 in the Proposed Rule shows the estimated home health agency impacts by facility type and area of the country for CY 2016
- Northeast shows a 2.3% increase in payments while all agencies show a 1.8% decrease
  - Note- each agency's impact is unique base on patients served, visits utilization patterns ,and coding techniques

General Impact*

TABLE 24: Estimated Home Health Agency Impacts by Facility Type and Area of the Country, CY 2016

	Number of Agencies	CY 2016 Wage Index[1]	CY 2016 Case-Mix Weights[2]	60-Day Episode Rate Nominal Case-Mix Reduction	Rebasing[3]	HH Payment Update Percentage[4]	Total
All Agencies	11,432	0.0%	0.0%	-1.6%	-2.5%	2.3%	-1.8%

- Northeast is showing an overall increase of 2.3%

- Link to the Proposed Rule
  - https://www.federalregister.gov/articles/2015/07/10/2015-16790/medicare-and-medicaid-programs-cy-2016-home-health-prospective-payment-system-rate-update-home#t-28

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