



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



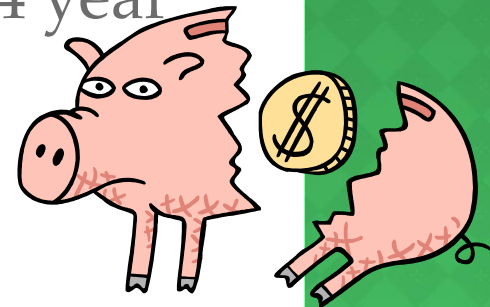
Financial Basics of the Proposed Rule

- 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 Neutrality Factor	Case-Mix Weights Budget Neutrality Factor	Nominal Case-Mix Growth Adjustment (1-0.0172)	CY 2016 Rebas-ing Adjustment	CY 2016 HH Payment Update Percentage	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

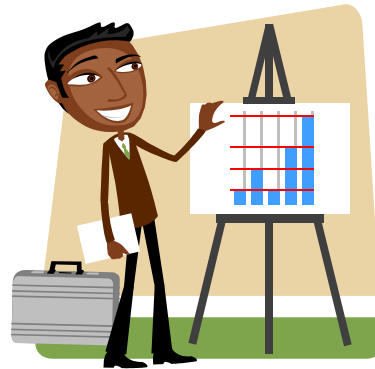
TABLE 12: CY 2016 National Per-Visit Payment Amounts for HHAs That DO Submit the Required Quality Data

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

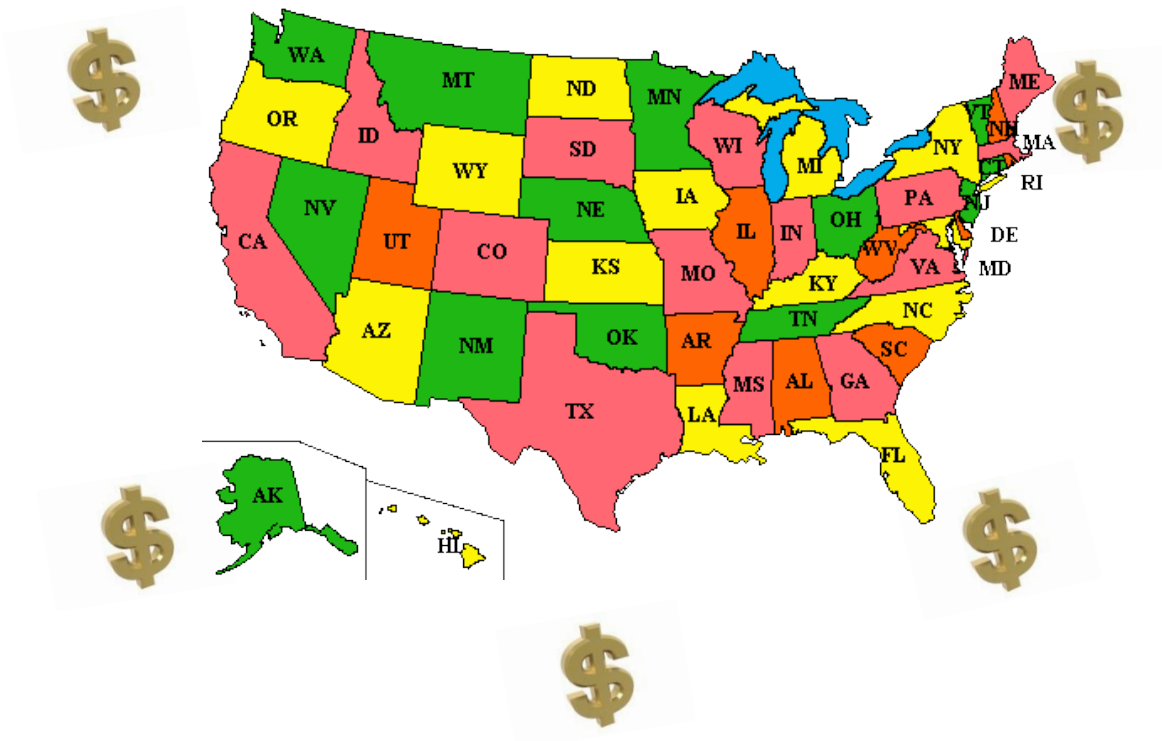


Home Health Stats

- 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)

NEW!



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:

$9 \times \frac{\text{HHA Performance Score} - \text{Achievement Threshold}}{\text{Benchmark} - \text{Achievement Threshold}} + 0.5$

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

$10 \times [(\text{HHA performance period score} - \text{Baseline Period score}) / (\text{Benchmark} - \text{Agency Baseline Score})] - 0.5$

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:

$$9 \times [(66-65)/(68-65) + 0.5] = 9 \times (.33) + 0.5 = 3.5$$

Improvement Score

$$10 \times [(66-64)/(68-64) - 0.5] = 10 \times (.5) - 0.5 = 4.5$$

FORMULA FOR % PAYMENT ADJUSTMENT

Multiple Steps

- a) TPS
- b) Prior Year Aggregate HHA payment x 8
- c) TPS Adjusted amount: $(a/100) \times b$
- d) Linear Exchange Function 1.93
- e) Final TPS Adj. Payment = $c \times d$
- 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): <i>Skilled Nursing Facility 30-Day All-Cause Readmission Measure (SNFRM)</i> 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 to 10	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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