Medicare Home Health Prospective Payment System Proposed Rule Impact Analysis Calendar Year 2020

-Version 1, August 2019-

Analysis Description

The calendar year (CY) 2020 Medicare Home Health (HH) Prospective Payment System (PPS) Proposed Rule Analysis is intended to show HH providers how Medicare fee-for-service (FFS) payments will change from CY 2019 to CY 2020 based on the policies set forth in the CY 2020 HH PPS proposed rule.

CY 2020 HH Proposed Rule Changes Modeled in this Analysis

- Marketbasket Update: 3.0% marketbasket increase to account for service cost inflation.
- ACA-Mandated Productivity Reduction: 0.4 percentage point multifactor productivity reduction, as established under the Affordable Care Act (ACA).
- Bipartisan Budget Act of 2018 - Mandated 1.5% Marketbasket: The Bipartisan Budget Act (BBA) of 2018 mandated the annual update factor for CY 2020, after all ACA-mandated adjustments, to be 1.5%. This would result in a 1.07% decrease.
- Patient-Driven Groupings Model (PDGM) Case-Mix Budget Neutrality: 0.0% due to the implementation of new case-mix methodology and no previous PDGM case-mix data to base a budget neutrality factor on.
- Wage Index Budget Neutrality Adjustment: 0.62% (including all other budget neutrality) increase in the rate due to wage index changes to maintain program budget neutrality.
- Wage Index and Labor Share Change: Updated wage index values based on the proposed FFY 2019 inpatient hospital wage index without the rural floor or reclassifications. This impact includes the impact of any new core-based statistical area (CBSA) delineations and new wage data. CMS is proposing to maintain the labor-related share of 76.1% for CY 2019 to CY 2020.
- Rural Add-On: CMS has implemented rural add-on payments for episodes and visits ending during CYs 2019 through 2022 as required by the Bipartisan Budget Act of 2018. The proposal includes varying add-on amounts depending on the HHAs rural county classification by classifying each into one of three distinct categories with the following CY 2020 add-on percentages: high utilization (0.5%), low population density (3.0%), or all other (2.0%).

- Patient-Driven Grouping Model: CMS is implementing a new case-mix adjustment methodology, the PDGM, to replace the current Home Health Resource Groups (HHRGs). The estimated change to HH PPS payments is shown in this analysis.

This analysis uses OASIS PDGM Limited Data Set (LDS), which uses 2018 data as its basis and does not estimate the impact of Home Health Agency (HHA) level changes due to volume or case-mix. This analysis does not estimate the HH specific revenue impacts of changes to PDGM weights.

The values shown in the impact table do not include the 2.0% sequestration reduction to all lines of Medicare payment authorized by Congress through FFY 2027. The estimated sequestration reduction applicable to HH PPS-specific payment has been calculated separately and is provided at the bottom of the impact table.

Impact of PDGM may differ on this report compared to other reports in this analysis due to data source and methodology used. On the PDGM Breakout reports, payments and volumes are calculated using the raw CY 2020 Final Rule PDGM OASIS Limited Data Set (LDS) and broken down into classification groups (not including comorbidity adjustments). Payment amounts do include outliers but do not include 10% outlier cap and therefore may be overestimated.

In PDGM, Medication, Management, Teaching and Assessment will be broken down into the following subgroups: Surgical Aftercare; Cardiac/Circulatory; Endocrine; GI/GU; Infectious Disease/Neoplasms/Blood-forming Diseases; Respiratory; or Other. For simplicity, in this analysis the 7 subgroups are combined into one MMTA classification.

Calculations in this analysis may differ from those in the impact file due to differences in methodology and rounding. Providers with volumes less than 11 are redacted due to CMS privacy rules.

CMS provides a HH PDGM Grouper Tool as well as other resources to assist HHAs on their website: https://www.cms.gov/Center/Provider-Type/Home-Health-Agency-HHA-Center.html

Data Sources

Estimated CY 2019 HH payments are derived from the CY 2020 OASIS PDGM LDS provided by CMS. Estimated CY 2020 HH payments are determined based on HH revenue from the LDS increased by the applicable update factor(s) as determined from year to year changes to the 60-day episode base rate and then converted to 30-days.

Wage indexes, labor shares, and standard payment rates used in this analysis are from the CY 2019 HH PPS final rule and CY 2020 HH PPS proposed rule. The PDGM weights shown in the worksheet "HHRG Weight Changes" are from the CY 2020 HH PPS proposed rule.

This analysis utilizes Home Health wage index data as of May 21, 2019 to be consistent with the OASIS PDGM LDS and CMS impact file. CMS has provided an updated list of proposed Home Health wage indices as of June 19, 2019, which can be found at the website above.

Methods

The dollar impact of each component change has been calculated by first determining CY 2019 HH payments. Estimated payments are derived from the OASIS PDGM LDS as described above.

For each HH payment change component analyzed, the percent change for CY 2019 to CY 2020 is calculated and applied to estimated CY 2019 payments. The percentage impacts are applied sequentially in order to capture the compounded dollar impacts. For example, the percent change due to the marketbasket update is

applied to total CY 2019 payments. Then, the percent change resulting from the ACA-Mandated Productivity Reduction of the national 60-day episode rate is applied to the dollar result of the first change. This method continues for the remaining changes, creating a compounded effect. The result is then adjusted in order to calculate the impact of PDGM and show the CY 2020 30-day payments for the provider. The difference between the results after each layered component is the impact of that component.

This analysis does NOT include impact estimates due to high cost outliers, estimates for payments for Managed Care patients, or any modifications in FFS payments as a result of HH participation in new payment models being tested under Medicare demonstration/pilot programs. Dollar impacts in this analysis may differ from those provided by other organizations/associations due to differences in source data and analytic methods.