



Medicare Home Health Prospective Payment System Proposed Rule Impact Analysis Calendar Year 2021

-Version 1-

Analysis Description

The calendar year (CY) 2021 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 2020 to CY 2021 based on the policies set forth in the CY 2021 HH PPS proposed rule.

CY 2021 HH Proposed Rule Changes Modeled in this Analysis

- **Marketbasket Update:** 3.1% 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).
- **Case-Mix Budget Neutrality:** Since CY 2020 was the first year utilizing the PDGM case-mix, CMS is not proposing a case-mix budget neutrality adjustment for CY 2021 due to there being no updates of the case-mix weights and thus a lack of comparable data.
- **Wage Index and Labor Share Change:** Updated wage index values are based on the FFY 2021 IPPS proposed rule wage indexes excluding occupational mix, rural floor, reclassifications, or outmigration adjustments. This impact includes the impact of new wage data, and the proposal to hold the labor-share at 76.1% for CY 2021.
- **Rural Add-On:** CMS is updating CY 2021 rural add-on payments for episodes and visits as mandated by the Bipartisan Budget Act of 2018. This requirement includes varying add-on amounts depending on the HHAs rural county classification by classifying each into one of three distinct categories with the following proposed CY 2021 add-on percentages: high utilization (0.0%), low population density (2.0%), or all other (1.0%).
- **All Other Adjustments:** Includes all other budget neutrality adjustments as well as adjustments based on impacts found in the CY 2021 HH Proposed Rule PDGM OASIS file.

This analysis utilizes the CY 2021 Proposed Rule HH PDGM OASIS LDS, which uses 2019 claims 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 2030. The estimated sequestration reduction applicable to HH PPS-specific payment has been calculated separately and is provided at the bottom of the impact table.

On this report, 30-day periods are compared using 2019 claims data to estimate the change in PDGM payments from CY 2020 to CY 2021. Payments and volumes are calculated using the raw CY 2021 HH Proposed Rule PDGM OASIS LDS and broken down into classification groups (not including comorbidity adjustments). Payment amounts do not include outliers.

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 2020 HH payments are derived from the CY 2021 HH PDGM OASIS LDS provided by CMS utilizing 2019 claims data and rates from the CY 2020 HH final rule. Estimated CY 2021 HH payments are determined based on HH revenue from the LDS increased by the applicable update factor(s).

Wage indexes, labor shares, and standard payment rates used in this analysis are from the CY 2020 HH PPS final rule and CY 2021 HH PPS proposed rule.

Methods

The dollar impact of each component change has been calculated by first estimating CY 2020 HH payments from the CY 2021 HH Proposed Rule PDGM OASIS LDS. Estimated payments are derived from the CY 2021 HH Proposed Rule PDGM OASIS LDS as described below.

For each HH payment change component analyzed, the percent change for CY 2020 to CY 2021 is calculated and applied to estimated CY 2021 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 2020 payments. Then, the percent change resulting from the ACA-Mandated Productivity This method continues for the remaining changes, creating a compounded effect. 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.