

CMS: Eliminate 4.36% Assumption-Based Cut to Home Health



ACTUAL 2020 DATA SHOWS CMS WAS WRONG TO MAKE ASSUMPTION-BASED CUT TO 2020 MEDICARE HOME HEALTH PROGRAM

On January 1, 2020, the Centers for Medicare & Medicaid Services (CMS) began implementing the Patient Driven Groupings Model (PDGM), a new home health payment system. Congress required this new payment system to be implemented in a budget neutral way, to make sure that home health spending was not reduced. However, this new system, despite caution by the home health community and Congress, included a 4.36% “behavioral change assumption” rate cut. Actual Medicare claims data from 2020 is revealing two things:

1. CMS’s assumptions were completely wrong and the 4.36% assumption-based cut should not have been instituted.
2. Unless CMS makes changes to eliminate the 4.36% cut for 2021, home health spending will be significantly reduced and the Medicare home health system will be well below Congressionally-mandated budget neutrality.

PDGM 2020 IMPACTS

Implementation of PDGM that started on January 1, 2020 included a 4.36% rate reduction to the Medicare home health benefit.

According to a new analysis, CMS’s purely assumption-based adjustment has been significantly incorrect with two of the three behavioral change assumptions made by CMS in the CY 2020 HHPPS final rule. These two assumptions are the primary justification for the 4.36% prospective reduction to home health payments to ensure budget neutrality.

“The proposed -4.36 behavioral adjustment to HH payments for CY 2021 is excessive. Home health providers already face enormous challenges in delivering care to patients as the significant financial and clinical impact of the COVID-19 pandemic continues to affect our nation and health system.”

As a result, CMS’s own data show that home health spending in the early months of 2020 was significantly lower than projected. With current trends expected to continue, Medicare home health spending will be well short of the required budget neutral level. This reduced reimbursement likely means that the availability of patient care for the Medicare home health population is at risk. That risk is increased with the CMS proposal to extend the erroneous adjustment through 2021.

UNREALIZED ASSUMPTIONS

The two areas where CMS’s assumptions were largely not in line with actual provider behaviors were Clinical Group Coding and the volume of Low-Utilization Payment Adjustment (LUPAs) care episodes:

- **Clinical Group Coding:** HHAs did not change their documentation and coding practices to put the highest paying diagnosis code as the principal diagnosis code in order to generate higher-paying clinical group, as CMS predicted.

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- **LUPAs:** HHAs *did not* add extra visit(s) solely in order to receive a full 30-day episode payment and reduce LUPA payments, as CMS predicted. In fact, LUPAs actually increased significantly (due to COVID-19 and other effects) upon implementation of PDGM for several months before moderating in April and May at levels still higher than projected. This assumption represented the second most significant reduction to HH payments. Given the uncertainty of the impact of COVID-19, even in 2021, LUPA volume will certainly continue to be higher than CMS projected.

COVID IMPACT

In light of the COVID-19 public health emergency, home health providers have experienced significant cost pressures, including the procurement of personal protective equipment as well as added measures to ensure infection control, protect, screen, and train staff, and maintain overall care delivery, only some of which have been mitigated by CARES Act relief funds. The enormous challenges of operating during the COVID-19 public health emergency, coupled with the 4.36% cuts, have resulted in tremendous uncertainty in the Medicare home health program, which is likely having negative impacts on care delivery for patients.

THE PRUDENT POLICY SOLUTION

The 2020 actual data thus far confirms that the assumptions used as the basis of the 4.36% rate reduction were incorrect and did not reflect actual provider behavior.

The Partnership for Quality Home Healthcare (PQHH) and the National Association for Home Care and Hospice (NAHC) urge CMS to discard any previous CMS assumptions and projections of providers' behavioral response to PDGM, and withdraw the 4.36% behavioral adjustment for home health payment rates for the remainder of CY2020 and in the proposed CY 2021 rates.