

Updated: 2020 HH PPS Claims Data to Evaluate Transition to PDGM, COVID-19 Impacts on Medicare Home Health

PRESENTED TO: Partnership for Quality Home Healthcare

April 29, 2021

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Presentation Overview

- **Background**
- **Summary Findings**
- **Monthly HH Volume, Payments, Average Payments, LUPAs, COVID-19 cases**
- **Case-mix analyses by payment subgroup**
- **Disentangling PDGM and COVID-19**
- **Sources of Estimate Uncertainty**
- **Summary / Discussion**

Background

- **PDGM implementation in HH PPS began January 1, 2020.**
- **COVID-19 pandemic-related state shut-down orders began in March.**
- **Early Medicare claims data from 2020 have been made available.**
 - Current analyses include latest action claims submitted through December 2020; available data is updated monthly.
- **Case-level impact and rate setting file from CY2020 Final Rule available.**
 - Enables comparison of real-world 2020 Medicare claims to projections from the rate-setting file (used 2018 data).
 - This file includes 30-day case-mix groups and estimated payments for cases *with and without the behavioral adjustments*.

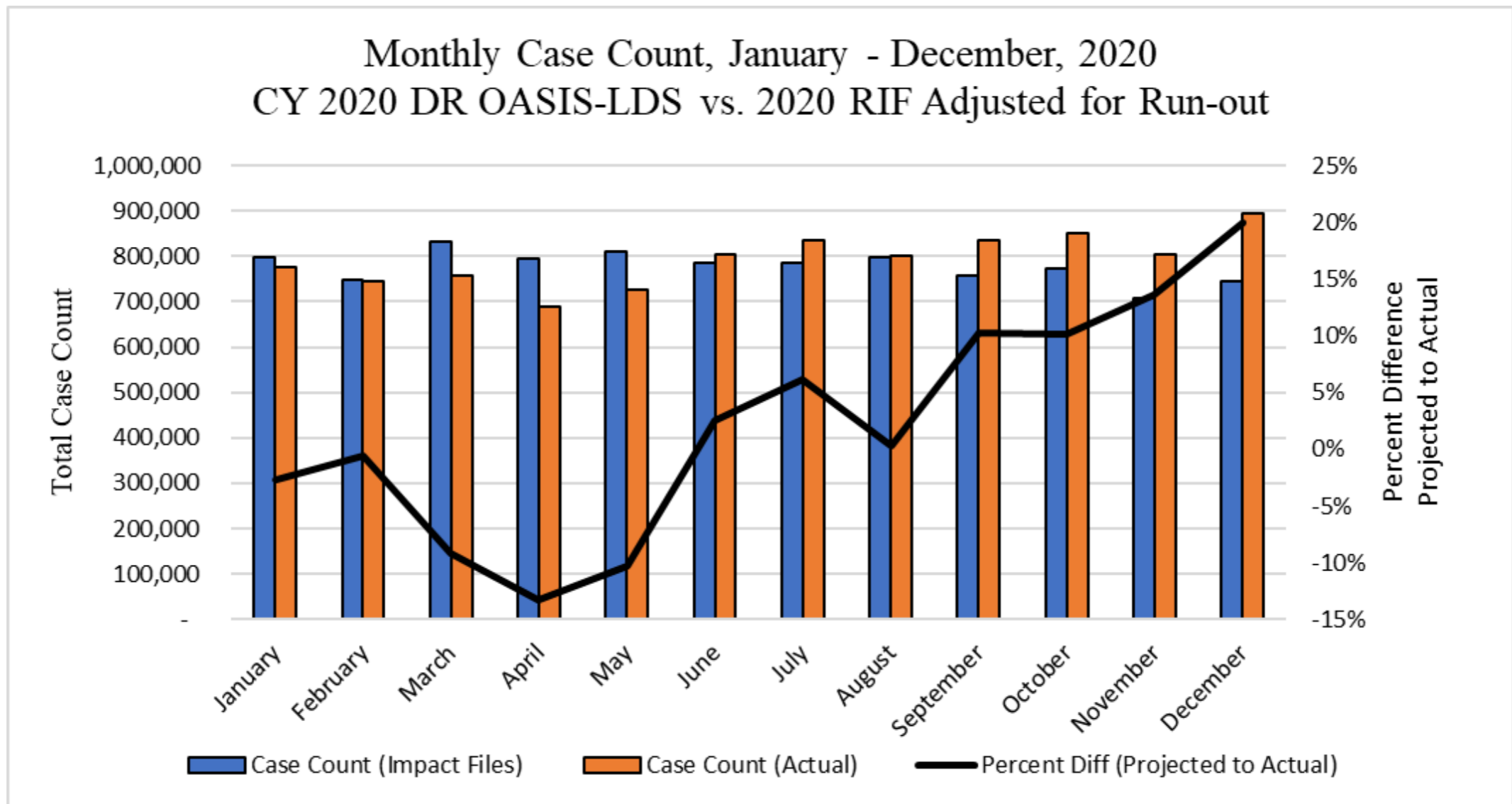
Summary Findings

- **2020 case volume, total payments and per-case payments are lower than projected, due to a combination of PDGM implementation and the COVID-19 pandemic and response. However, these differences have been partially made up in recent months.**
- **2020 LUPA rates so far are much higher than anticipated, which has contributed to a low measured per-case payment rate.**
- **The HH industry thus far appears to have not followed at least 2 of 3 behavioral assumptions described by CMS in the CY2020 HH PPS final rule to justify and estimate the prospective base rate reduction.**
 - LUPA rates are still much higher than the new approach was anticipated to yield, rather than lower – 15.7% through December.
 - Case-mix groups continue to reflect historical trends of primary diagnoses rather than payment-optimized groupings.
 - Comorbidity and functional group scores remain consistently higher than anticipated; this may be some part behavioral adjustment but also an apparent increase in case-mix severity could reasonably accompany overall volume reduction.

Summary Findings, continued

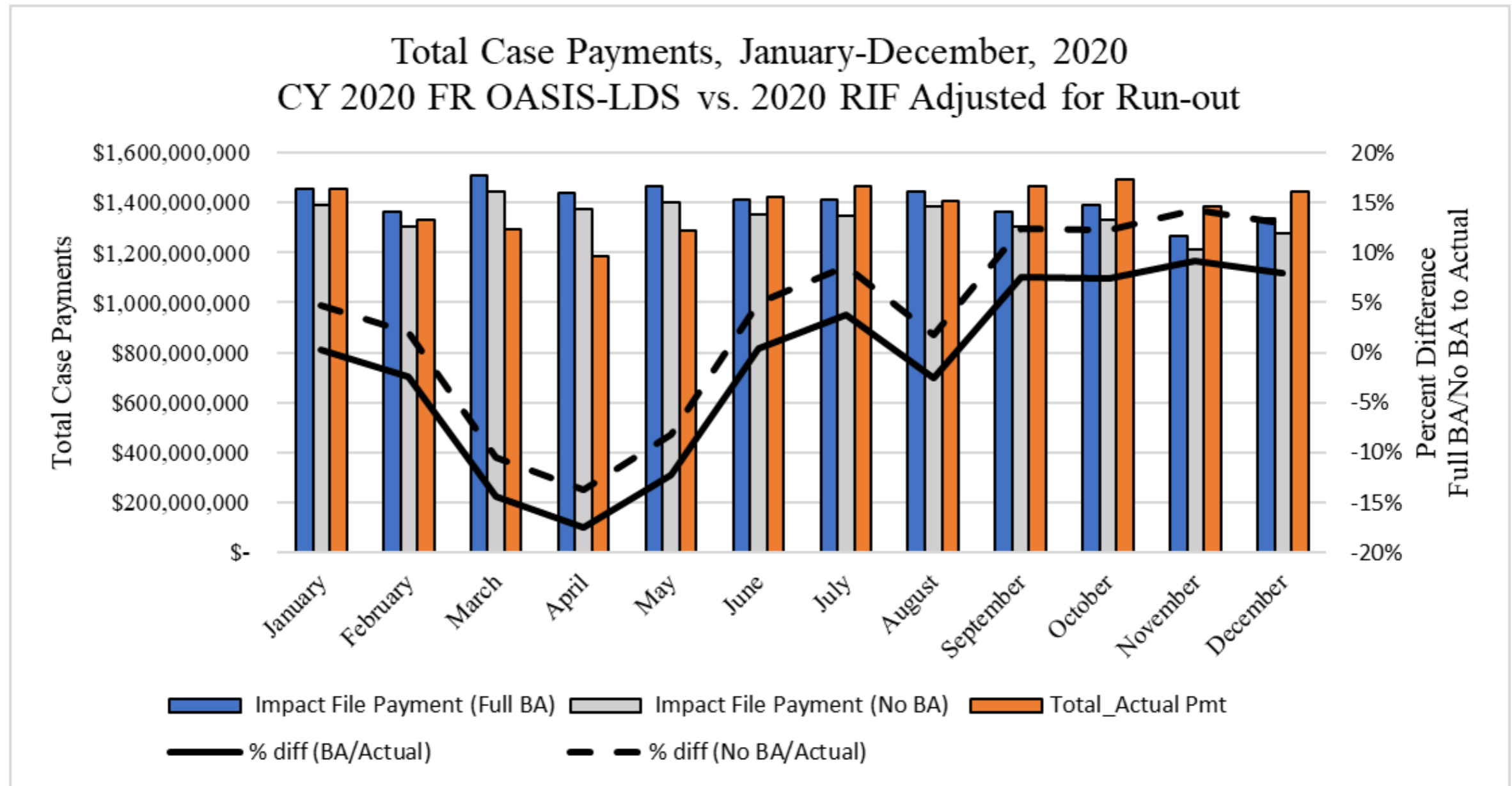
- **HH case volume has recuperated starting in Q3 2020. Recent monthly volume now appears higher than projected (1.92% above expected January-December).**
- **Total HH case payments are catching up to projections but are still 1.3% lower than projected through December (\$16.6B estimated compared to \$16.9B expected).**
- **HH average case payments are moving towards budget neutrality but are still an estimated 3.2% below projected budget neutral levels (\$1,747 estimated compared to \$1,805).**
- **Disentangling PDGM implementation and COVID-19 – examined state-level effects by month to account for lock-down orders, elective surgery moratoriums, and overall outbreak level.**
 - **Case volume has been affected by COVID-19 outbreaks, but this is counteracted by the level of acute hospitalizations.**
 - **High LUPA rates were exacerbated by COVID-19 at certain points but are largely a feature of PDGM.**

Monthly Case Count – est. 9.5M cases, 1.9% above Impact File



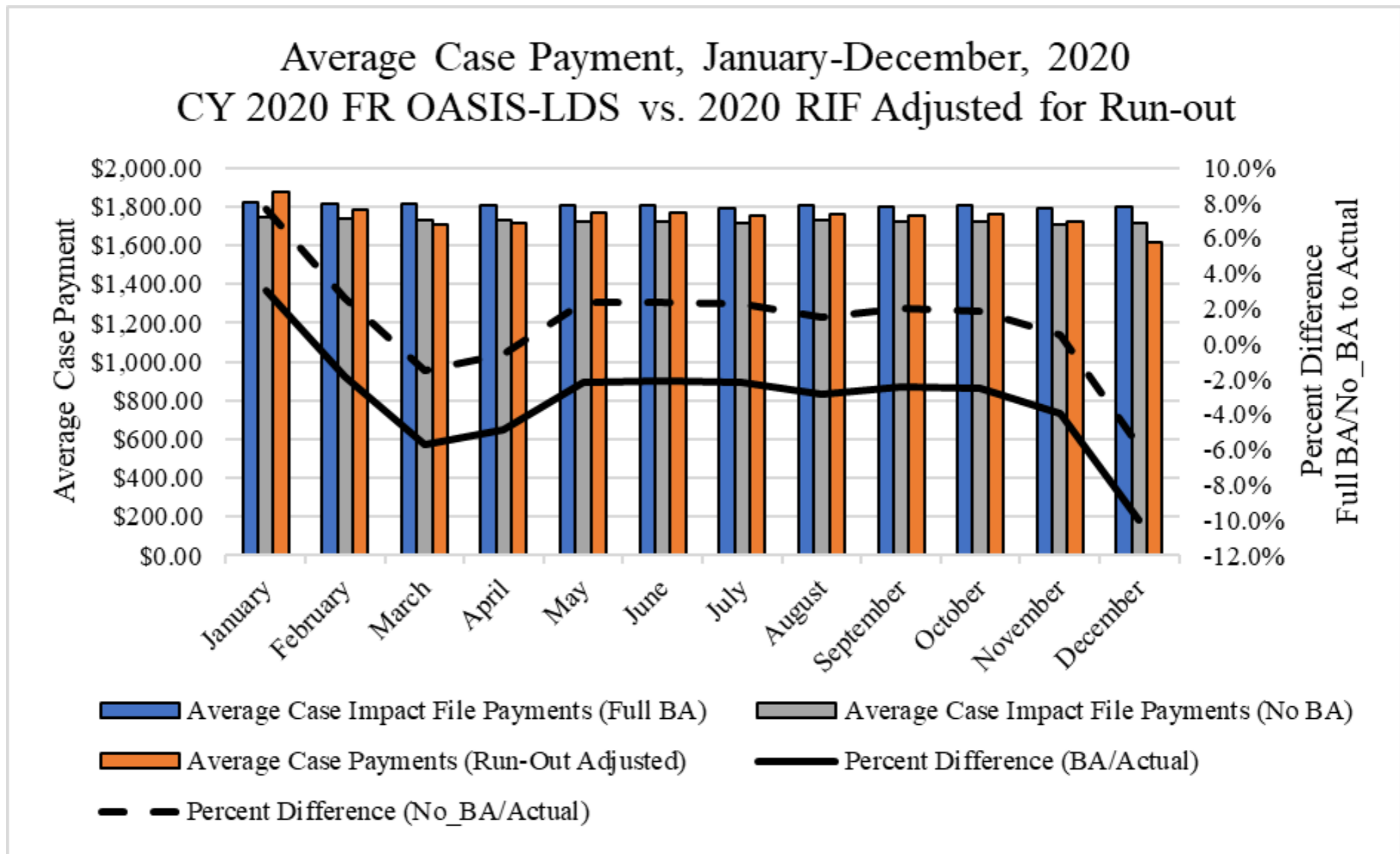
Note: Due to data cleaning procedures, the impact file has fewer cases and less total payments than should be expected to occur.

Total Case Payments – est. \$16.6B, 1.3% below Impact File

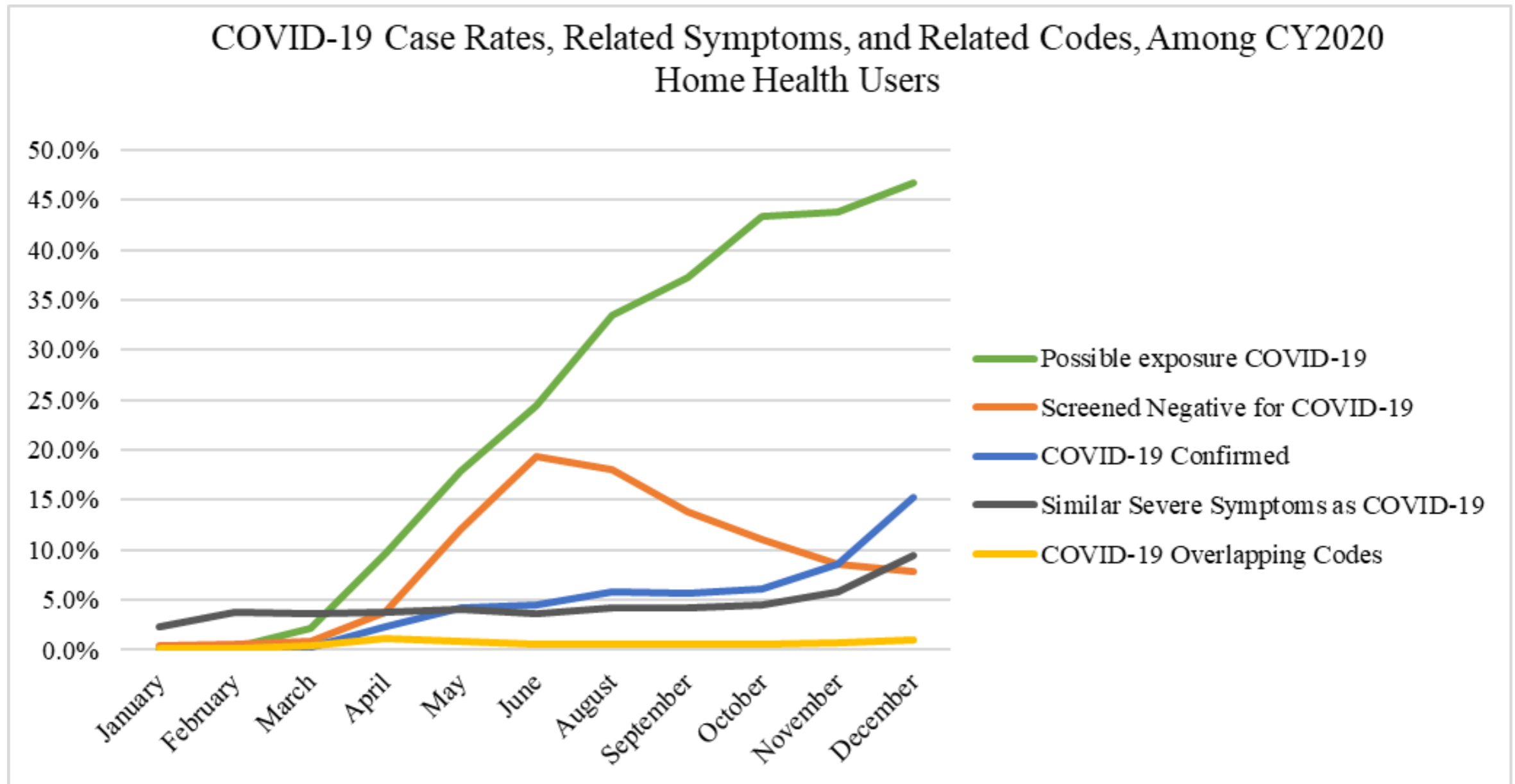


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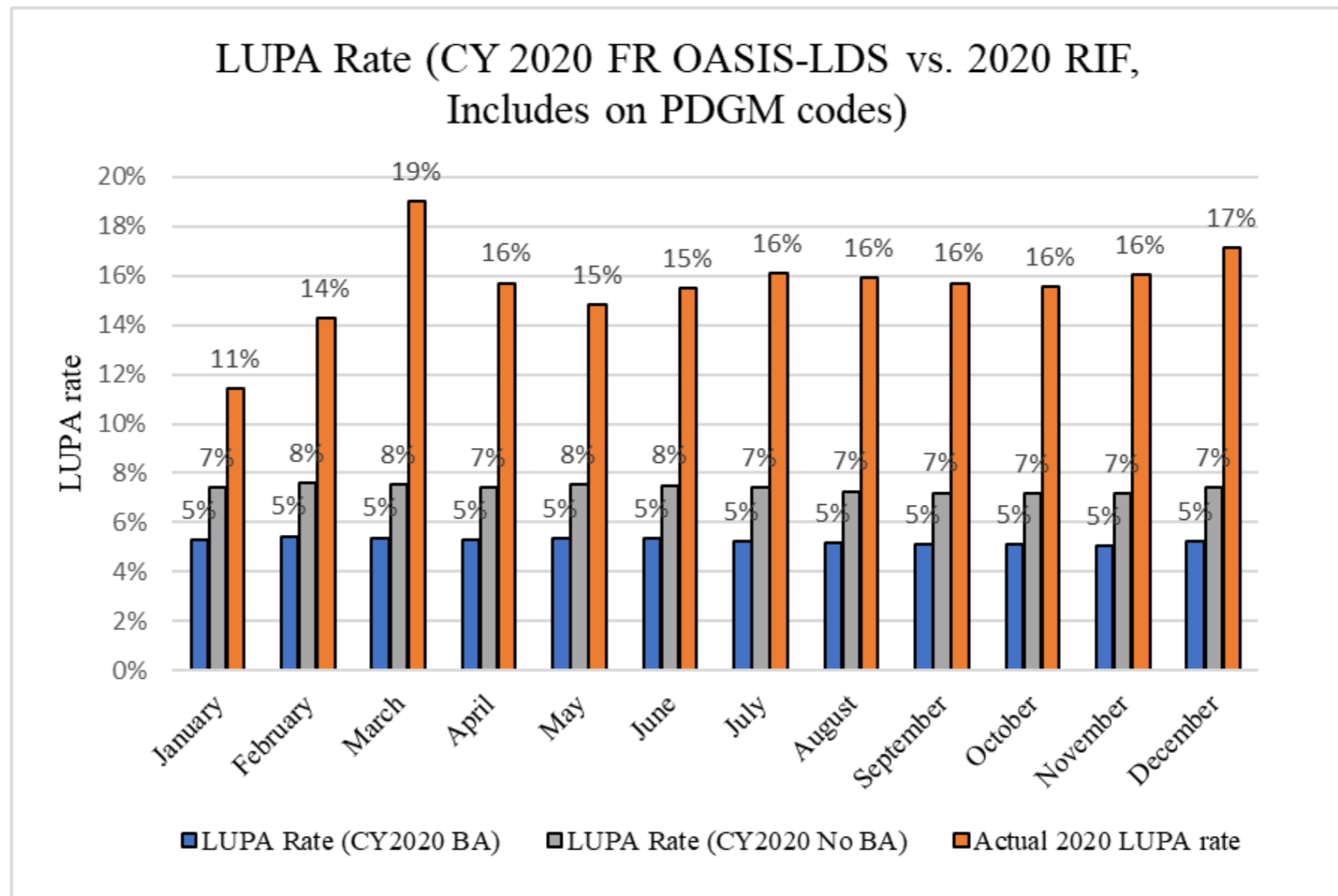
Average Case Payment – est. \$1,747, 3.2% below Impact File (Budget Neutral) rate



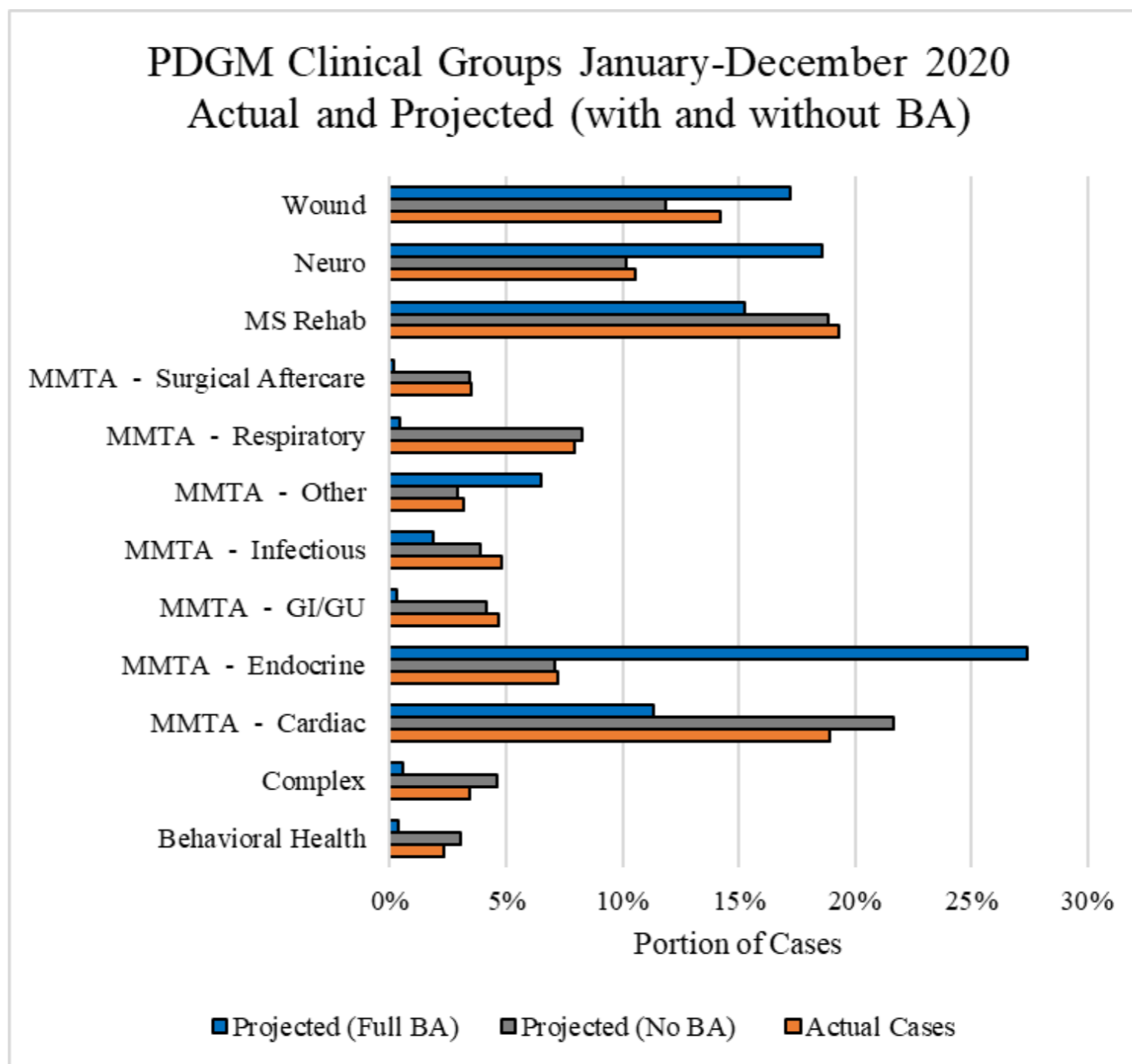
COVID-19 Cases are seen increasingly by HH – up to 15% in December, 47% possibly exposed



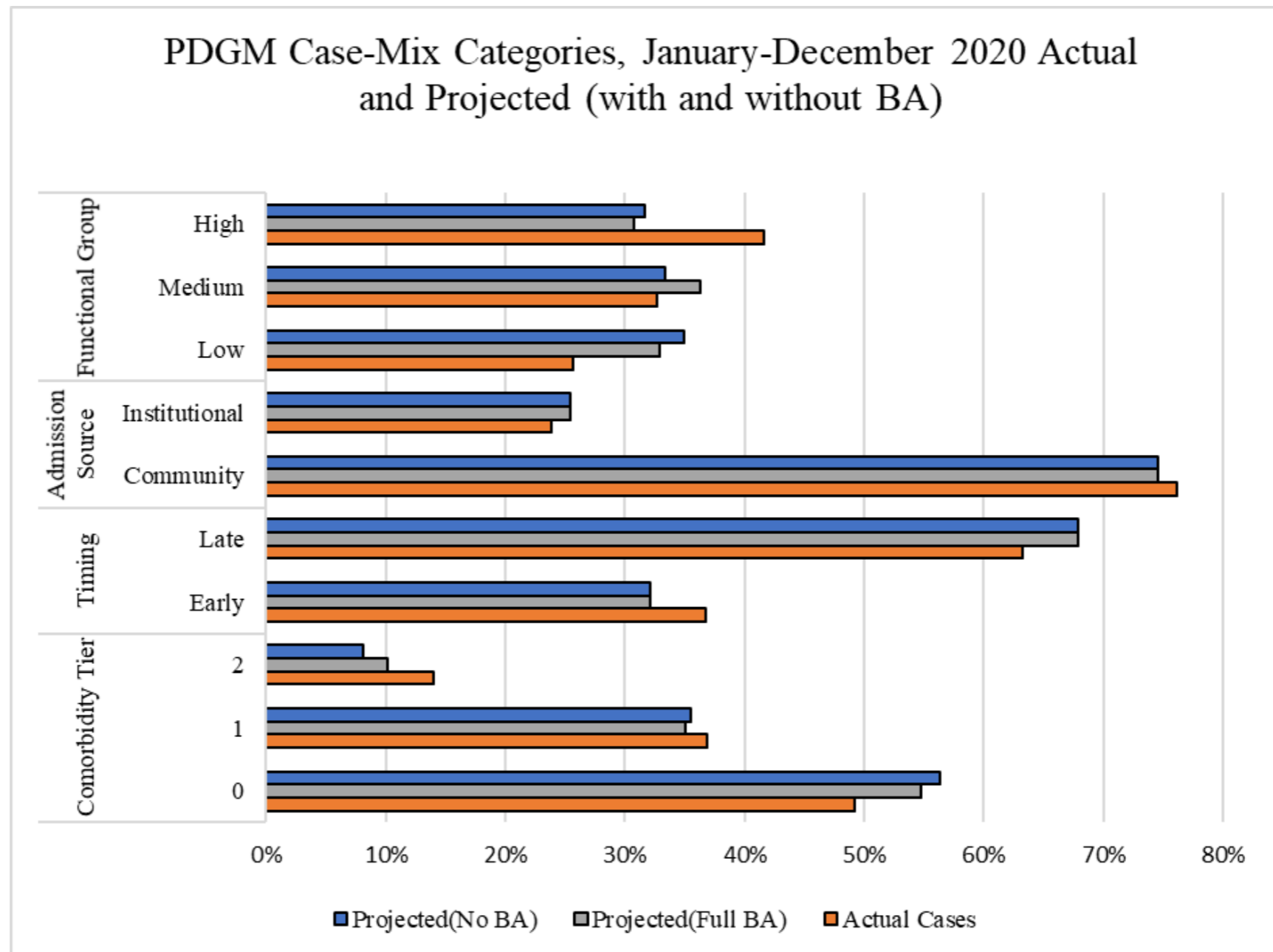
LUPA Rates are slowly declining but still much higher than anticipated – 15.7% through December



Clinical Groups Hew Closer to Historical than Coding-Optimized Groupings



Other Case-Mix Attributes Show Higher Acuity Cases (or potential coding changes); Admission Source and Timing are not Sensitive to Coding but Represent Changes to Referral and Care Patterns



Case-Mix Analyses

- **Observed 2020 case-mix is 1.05 – lower than the behavioral assumed 1.07 but higher than a ‘perfect’ transition of 1.00.**
 - Relatively high case-mix may be driven by reluctance of lower need patients to get HH or precedent care, new substitutions for SNF.
- **Estimated major contributors to aggregate case-mix > 1.00 are functional status (+0.03), timing (+0.02), comorbidities (+0.01) and admission source (-0.01).**
- **In terms of payments, the high overall case-mix is balanced by the very high LUPA rate.**

Disentangling COVID-19 from PDGM Implementation

- **We conducted regression analyses to predict state-level outcomes over time controlling for COVID-19 pandemic factors.**
 - Model observation at state-level by month.
 - Examined HH case volume, payments and LUPA rates.
 - Controlled for severity of local outbreak (approximated by positivity rate), presence of surgery moratoriums, and acute hospital census.
- **Increases in state COVID-19 positivity rates (local outbreak severity proxy) are associated with a decrease in average Home Health case payment, as are increases in inpatient census.**
- **Increase in state COVID-19 positivity rate associated with a decrease in HH cases; this is modulated by inpatient census (e.g., when inpatient census is high, this increases HH cases in opposition to effects of local COVID-19 outbreak severity).**
- **LUPA rates are not significantly impacted by the case positivity rate; however, higher state inpatient census are related to lower LUPA rates.**

Sources of Estimate Uncertainty

- **2020 has been an odd year for claims run-out.**
 - Multiple derivations of run-out factors early in the year yielded substantially different outcomes in analyses. However – more recently derived run-out factors have shown much greater stability than those drawn from early in the year.
 - We anticipate continued run-out for adjudication that will result in total below budget neutral payments and anticipate increasing data stability as monthly data continues to accrue.
- **This, coupled with stronger-than-anticipated Q4 case volume, has led to additional uncertainties in estimates.**
 - Changes to seasonality are likely affected by pent-up demand, availability of staff (not quarantined) between pandemic waves.
- **Changes in HH referral sources are real and directly impact case mix, but it is not knowable how closely late-pandemic and endemic COVID-19 patterns will reflect pre-pandemic norms.**
 - Elective inpatient surgeries have yet to fully recoup.
 - Greater volume from pre-acute facilities, ASCs with rule changes.
 - Patients may still be avoidant of some settings.

Summary / Discussion

- **LUPA issues arose prior to significant state lock-downs and have persisted since. High LUPA rates appear to be a feature of PDGM.**
- **We have found little evidence to suggest that providers are shifting the primary claim diagnosis code to optimize payment.**
- **Comorbidity and functional coding is more severe than projected (including behavioral adjustments). This is in some part related to changing referral sources and increased substitution for SNFs, though the higher rates remain relatively consistent throughout 2020.**
- **Sequences of care are so far shorter than anticipated and early cases are overrepresented in the case-mix system. This may be pandemic-related but may also be providers responding to incentives in a reasonable way – PDGM strongly favors new starts to continuing care.**
 - **Implication for future rebasing: a race to the bottom?**
- **Data run-out is an issue; “fully mature” claims have 13 months of run-out to allow for complete adjudication.**



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