

# Analysis: CMS' Approach to Establishing Budget Neutral Payment Rates is Flawed and Harms Both Providers and Patients



On July 7, 2021, the Centers for Medicare & Medicaid Services (CMS) published its Proposed Rule to update the Home Health Prospective Payment System for CY 2022, in which CMS proposed to continue unsupported reductions to the rates and presented a flawed approach to assessing budget neutrality and suggested that home health payments were too high in CY 2020, an assertion the Partnership refutes and is contradicted by the data.

Concerned with the methodology used to establish payment rates in CY 2022 and assess budget neutrality, the Partnership worked with Dobson | DaVanzo to complete an analysis using Medicare claims data from 2020 as well as case-level impact and rate setting files from CY 2020, CY 2021 Final Rules and CY 2022 Proposed Rules. Key findings of the analysis include:

## **Medicare payments are already 5.76 percent lower than they should be based on the budget neutrality requirement, which runs counter to CMS' methodology in the proposed rule.**

- CMS' approach does not account for the effects of the implementation of the Patient Driven Groupings Model (PDGM) in 2020, and the impact of the COVID-19 pandemic.
- CY 2020 average payments were actually 1.4 percent below CMS projections with behavioral assumptions (a -4.36 percent payment reduction).
- In total, this means that CY 2020 payments were 5.76 percent lower than they would have been in absence of the change to the payment system (PDGM).

## **Medicare's behavioral assumptions under PDGM were inaccurate.**

- Two of three assumptions used by CMS to justify the -4.36 percent payment reduction have not been realized as of July 2021:
  - Low-Utilization Payment Adjustment (LUPA) rates remain much higher than projected.
  - Clinical groups continue to reflect historical trends of primary diagnoses rather than payment-optimized groupings.

## **Medicare's -4.36 percent behavioral adjustments alone could lead to a \$2.43 billion reduction in home health over three years.**

The Partnership urges CMS to rescind the -4.36 percent behavioral adjustment for CY 2022 and accept our recommendations for a more accurate assessment of budget neutrality.

The Partnership's analysis clearly shows that home health providers are already underpaid and cannot shoulder the burden of additional cuts. Failure to reverse cuts could seriously impact access to home healthcare, a patient-preferred option for recovering in a safe, convenient, and comfortable environment. CMS should eliminate continued cuts to home health in order for providers to ensure sustainable care delivery of home healthcare for vulnerable seniors.

**CMS: Eliminate the -4.36 percent behavioral adjustment cut for CY 2022 to protect patient care and ensure payments are more likely to be budget neutral.**