

CMS: Final Home Health PPS Rule Must Recognize Increased Labor Costs



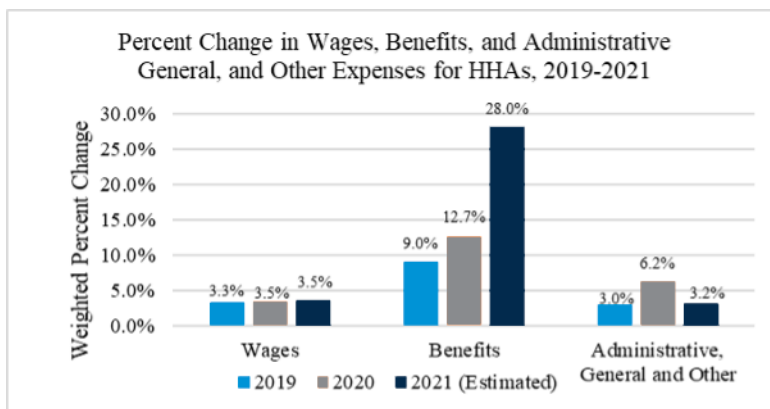
Significant financial pressures on providers related to COVID-19

The Partnership for Quality Home Healthcare (PQHH) commissioned Dobson | DaVanzo (DDA) to investigate the impact of the COVID-19 Public Health Emergency (PHE) on home health labor and other input prices used to inform annual home health payment updates in the CY 2019 - CY 2022 Home Health Prospective Payment System (HHPPS) rules.

According to a DDA Labor Cost Survey of PQHH members¹, CY 2020 and CY 2021 HHPPS payment adjustments are not reflective of labor and administrative price trends in the home health sector, but CMS is nonetheless proposing to use this data as a key component in setting 2022 rates.

Key findings:

- The COVID-19 PHE resulted in higher labor and other costs including salaries and wages as well as hiring, retention, benefits, and other staffing-related areas.
- Home health wages, benefits, and administrative costs increased at a higher rate in 2020 than they did in 2019.
- Home health agency (HHA) benefits costs are expected to grow at a rate that is 15.3 percentage points higher in 2021 than in 2020, while administrative, general, and other costs are expected to grow at a rate that is 3.0 percentage points lower in 2021 than in 2020. HHA wages are anticipated to grow at the same rate in 2021 as they did in 2020.



“We are concerned that the market basket and annual update factors in recent years do not align with recent increases in home health providers’ staffing and other costs. Specifically, our analysis of recent price growth for staffing shows that the home health market basket may not be reflective of actual price trends experienced by providers.”

- PQHH Comments to CMS

Despite documented increases in labor administrative costs for home health providers over the last three years, the home health market basket update factors **declined from 3.0 in CY 2019 to 2.4 in CY 2022** as actual provider costs were increasing. The Partnership cautions CMS that the annual payment rate update has not kept pace with the rising costs of providing care and urges CMS to review and incorporate these important considerations before finalizing the rule.

CMS should comprehensively assess all trends in home health delivery to ensure the agency reasonably forecasts annual price increases to accurately reflect the true costs of care.

¹ Responding HHAs operate in 44 of the 50 states and represent 22.1% of home health cases in these states across 3 years (2019- 2021).