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# CY 2018 Home Health Prospective Payment System Proposed Rule

## OVERVIEW

On July 25th, the Centers for Medicare and Medicaid Services (CMS) released a proposed rule that would update Medicare payment rates for home health agencies (HHAs) in CY 2018, implement a new case-mix methodology for CY 2019, and update reporting requirements to comply with provisions of the Improving Medicare Post-Acute Care Transformation (IMPACT) Act for CY 2020.

CMS will accept comments on the proposed rule until September 25th. The proposed rule is available here.

## PAYMENT UPDATES

For CY 2018, CMS estimates that the proposed rule would result in a 0.4%, or $80 million, reduction in payments to HHAs. This reflects a 1% increase to the home health payment update percentage, a 0.9% reduction to the 60-day episode payment rate nominal case-mix, and a 0.5% reduction due to the sunset of the rural-add on provision.

The impact of the proposed update varies by the size, type, and location of the HHA. For example, HHAs with more than 1,000 first episodes of care would experience payment cuts of 0.5%, compared to no change among HHAs with fewer than 100 episodes of care.

### Home Health Groupings Model (HHGM)

HHAs are currently paid a national, standardized 60-day episode payment for covered services, adjusted for case-mix**.** For CY 2019, the rule proposes to implement the Home Health Groupings Model (HHGM), which would change the unit of payment for home health episodes from 60-day periods of care to 30-day periods and remove the number of therapy visits provided as a determinant of payment. Each 30-day period of care would be categorized as one of 144 different payment groups based on the patient's:

- *Admission Source and Timing* - Community early, community late, institutional early, or institutional late;
- *Clinical Grouping* - Musculoskeletal rehabilitation, neuro/stroke rehabilitation, wound care, complex nursing interventions, behavioral health care, and medication management;
- *Functional Level* – High, medium, or low, according to Outcome and Assessment Information Set items; and
- *Comorbidity Status* – Heart disease, respiratory disease, circulatory disease and blood disorders, cerebral vascular disease, gastrointestinal disease, neurological disease, endocrine disease, neoplasm, genitourinary and renal disease, skin disease, musculoskeletal disease, behavioral health, and infectious disease.

CMS estimates that the HHGM would result in a 4.3%, or $950 million, decrease in payments to HHAs in CY 2019. CMS solicited comments on whether to phase-in the payment reduction by applying a partial budget neutrality adjustment factor which would minimize the cuts to 2.2%, or $480, million in 2019. Under this approach, the partial budget neutrality adjustment factor would be removed in CY 2020. The impact of the proposed HHGM varies by the size, type, and location of the HHA. For example, without the budget neutrality adjustment factor, urban HHAs would experience payment reductions of 4.9%, compared to 0.2% in rural locations, in 2019. HHAs with more than 1,000 first episodes of care would experience payment cuts of 4.4%, compared to 2.9% among HHAs with fewer than 100 episodes of care.

## HOME HEALTH QUALITY REPORTING PROGRAM (HH QRP) UPDATE

The IMPACT Act requires post-acute care providers, including HHAs, to report standardized assessment data for the following domains: functional status changes, skin integrity and changes, medication reconciliation, incidence of major falls, and patient preference regarding treatment and discharge options.

For CY 2020, CMS is proposing to add two new measures and replace one measure. New measures include:

- Percent of Residents Experiencing One or More Falls with Major Injury; and
- Percent of Long-Term Care Hospital Patients with an Admission and Discharge Functional Assessment and a Care Plan.

CMS would replace the Percent of Residents or Patients with Pressure Ulcers that are New or Worsened measure with: Changes in Skin Integrity Post-Acute Care: Pressure Ulcer/Injury.