

MedPAC Sets Stage for 2005 Recommendations to Congress on Home Health Payment

The Medicare Payment Advisory Commission (MedPAC) met recently to begin preliminary discussion on the adequacy of Medicare home health payments in anticipation of developing its 2005 recommendations to Congress. Typically, MedPAC staff pose draft recommendations at the commission's December meeting; those recommendations are then voted on in January and formally reported to Congress in March.

At this meeting, MedPAC staff provided some background information on Medicare home health pay adequacy and initial analysis of the outlier provision of the home health prospective payment system (PPS).

Generally, MedPAC continues to believe that: (1) beneficiary access to care is good, (2) there is adequate availability of home health agencies, (3) access to capital is not a major factor affecting the delivery of home health services, and (4) positive care outcomes are increasing. MedPAC did not provide figures relative to current estimates of home health agency profit margins, although it is anticipated that those data will be available at the December meeting.

Of particular significance were MedPAC's preliminary findings from a recently-initiated study of the home health PPS outlier provision. According to MedPAC, a little more than 2% of home health episodes currently qualify for outlier payments (compared with the 5% mandated by law). It should be noted that the Centers for Medicare & Medicaid Services (CMS) recently made regulatory changes to the home health PPS outlier policy that take effect in January.

MedPAC staff expressed concern that while the outlier provision was designed to meet its statutory function, their findings indicate the outlier could be manipulated—and that could spur recommendations for refinements to the outlier policy and/or the home health PPS in general. MedPAC's analysis indicates that:

- Outliers as a percentage of cases vary, depending on the type of control of the agency (voluntary, proprietary, or government-sponsored),
- Informal care and outlier frequency appear to be related, and
- Outlier cases generally receive more minutes of nursing and aide care, and less minutes of therapy care, than other cases.