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Jessica L. Bailey-Wheaton, Esq., Editor
Todd A. Zigrang MBA, MHA, CVA, ASA, FACHE, Publisher

Home Health Payment Cuts Proposed for 2023

On June 17, 2022, the Centers for Medicare & Medicaid Services (CMS) published its proposed Home Health Prospective Payment System (HH PPS) for calendar year (CY) 2023. If CMS's proposed rule is finalized as is, home health agencies (HHAs) will experience an $810 million pay cut from Medicare next year. This Health Capital Topics article will review the proposed rule and discuss industry response.

Much of the decrease in home health payments proposed for 2023 is due to pay adjustments "to account for increased expenditures CMS contends resulted from a recently implemented payment system," i.e., the Payment-Driven Groupings Model (PDGM).[1] The PDGM was implemented in 2020 as required by the Bipartisan Budget Act of 2018 (BBA), with the goal of better aligning payments with patient care needs, particularly for more clinically-complex beneficiaries that require more skilled nursing services than therapy services.[2] Toward that end, CMS eliminated the incentive to overserve patients by paying HHAs "based on patient characteristics instead of the number of therapy hours provided."[3] To prevent over-utilization of services, CMS reduced the payment period from 60 days to 30 and required HHAs re-certify that a patient needs additional care after each period.[4] The PDGM also increased the number of case mix groupings from 153 to 432 and introduced low- and high-use thresholds for each.[5] A patient is considered low-use if they use 2-6 visits during a 30-day period, with the actual visit number varying by case mix grouping.[6] HHAs are reimbursed on a per-visit basis for low-use patients, but HHAs that provide more than the case-adjusted number of visits during a 30-day period will be reimbursed for a full 30-day period.[7] High-use patients typically utilize more than the average number of visits per period, thus costing the HHA more money. Under these new provisions, CMS will reimburse HHAs up to 80% of the difference on any high-use utilization.[8]

The PDGM is budget neutral, meaning it may not cause higher Medicare spending. Consequently, CMS reduced HHA payments starting in 2020 in anticipation of the reduced utilization as a result of PDGM implementation. The BBA requires CMS, for the first 7 years of the PDGM, to "make assumptions about behavior changes that could occur because of the implementation of the 30-day unit of payment and the" PDGM and annually assess the impact of the differences between (1) the behavioral changes that CMS assumed and (2) the actual behavioral changes, on estimated aggregate expenditures; CMS must then make any indicated temporary/permanent increases or decreases to the 30-day payment amount.[9] Toward that end, CMS proposes a way to determine the impact of those differences between the assumed and actual behavior changes, by calculating what Medicare would have spent had PDGM not been implemented in 2020 and 2021 and comparing that to what was actually spent during the same timeframe.[10] As a result, CMS proposed a -7.69% payment adjustment for 2023, "to ensure that aggregate expenditures under the new payment system model would be equal to what they would have been under the old payment system."[11] In addition to these retrospective, temporary payment adjustments, CMS proposed to apply a prospective, permanent payment adjustment, for the same reason.[12]

Therefore, the aforementioned proposed payment decrease of $810 million for 2023 is the combination of a proposed 2.9% home health payment update, the -7.69% budget neutrality adjustment, and an estimated 0.2% decrease "that reflects the effects of a proposed update to the fixed-dollar loss ratio (FDL) used in determining outlier payments," as well as some other minor adjustments.[13]

Additional measures proposed by CMS include:

1. Reweighting each of the PDGM payment group's case mix weights (including the low utilization thresholds), utilizing 2021 data.
2. Implementing a permanent 5% cap on any negative changes to the hospital wage index (on which the geographic factors of the base rate are adjusted), regardless of the reason for the decline. The agency contends that smoothing out year-to-year changes will help increase the predictability of home health payments.
3. Updating the home infusion therapy services payment rates for 2023. However, the amount of that update was not disclosed by CMS, because the law requires those rates to be updated by the June 2022 Consumer Price Index for all urban customers (CPI-U), which was not available at the time the proposed rule was released.[14]

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CMS is also seeking comment on how it may collect data from HHAs related to the use of telecommunications technology for the purpose of analyzing the characteristics of Medicare beneficiaries utilizing the remote services. This may serve to give CMS, and HHAs, a better understanding "of the social determinants that affect who benefits most from those services, including what barriers may potentially exist for certain subsets of beneficiaries."[15]

Home health industry representatives have expressed their significant dismay with the proposed rule. The National Association for Home Care & Hospice (NAHC) is "very disappointed in the CMS proposed rule…The stability of home health care is at risk as a consequence of CMS proposing the application [of] a fatally flawed methodology for assessing whether the PDGM payment model led to budget neutral spending in 2020…With significantly rising costs for staff, transportation, and more, home health agencies across the country cannot withstand the impact of the proposed rate cut."[16] The Partnership for Quality Home Healthcare also expressed displeasure: "Considering that access to home-based care has become increasingly important to the health and safety of American seniors, it is very troubling that CMS would propose such steep rate cuts for next year and potentially even deeper cuts in the future. If implemented as proposed, this payment adjustment will jeopardize the stability of this vital sector and risk seniors' access to Medicare home health services."[17]

CMS will accept public comments related to the proposed rule until August 16, 2022.

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2 "Home health agency payments in 2023 decrease by 4.2%, or $810 million, under proposed rule" By Susan Morse, Healthcare Finance, https://www.healthcarefinancenews.com/news/home-health-agency-payments-2023-decrease-42-or-810-million-under-proposed-rule (Accessed 6/20/22).
3 Goldman, Modern Healthcare, June 17, 2022.
4 "Overview of the Patient Driven Groupings Model" Centers for Medicare and Medicaid Services, November 25, 2019, https://www.cms.gov/files/document/se19027.pdf (Accessed 1/27/22), p. 3.
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8 *Ibid.*
9 "Home health agency payments in 2023 decrease by 4.2%, or $810 million, under proposed rule" By Susan Morse, Healthcare Finance, https://www.healthcarefinancenews.com/news/home-health-agency-payments-2023-decrease-42-or-810-million-under-proposed-rule (Accessed 6/20/22).
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16 "'The Stability of Home Health Care Is at Risk': CMS Proposes 4.2% Decrease to Provider Payments in 2023" By Andrew Donlan, Home Health Care News, June 17, 2022, https://homehealthcarenews.com/2022/06/the-stability-of-home-health-care-is-at-risk-cms-proposes-4-2-decrease-to-provider-payments-in-2023/ (Accessed 6/20/22).
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Todd A. Zigrang, MBA, MHA, CVA, ASA, FACHE, is the President of **HEALTH CAPITAL CONSULTANTS** (HCC), where he focuses on the areas of valuation and financial analysis for hospitals, physician practices, and other healthcare enterprises. Mr. Zigrang has over 25 years of experience providing valuation, financial, transaction and strategic advisory services nationwide in over 2,000 transactions and joint ventures. Mr. Zigrang is also considered an expert in the field of healthcare compensation for physicians, executives and other professionals.

Mr. Zigrang is the co-author of "*The Adviser's Guide to Healthcare – 2nd Edition*" [2015 – AICPA], numerous chapters in legal treatises and anthologies, and peer-reviewed and industry articles such as: *The Accountant's Business Manual* (AICPA); *Valuing Professional Practices and Licenses* (Aspen Publishers); *Valuation Strategies; Business Appraisal Practice*; and, *NACVA QuickRead*. In addition to his contributions as an author, Mr. Zigrang has served as faculty before professional and trade associations such as the American Society of Appraisers (ASA); American Health Lawyers Associate (AHLA); the American Bar Association (ABA); the National Association of Certified Valuators and Analysts (NACVA); Physician Hospitals of America (PHA); the Institute of Business Appraisers (IBA); the Healthcare Financial Management Association (HFMA); and, the CPA Leadership Institute.

Mr. Zigrang holds a Master of Science in Health Administration (MHA) and a Master of Business Administration (MBA) from the University of Missouri at Columbia. He is a Fellow of the American College of Healthcare Executives (FACHE) and holds the Accredited Senior Appraiser (ASA) designation from the American Society of Appraisers, where he has served as President of the St. Louis Chapter, and is current Chair of the ASA Healthcare Special Interest Group (HSIG).

Jessica L. Bailey-Wheaton, Esq., is Senior Vice President and General Counsel of HCC. Her work focuses on the areas of Certificate of Need (CON) preparation and consulting, as well as project management and consulting services related to the impact of both federal and state regulations on healthcare transactions. In that role, Ms. Bailey-Wheaton provides research services necessary to support certified opinions of value related to the Fair Market Value and Commercial Reasonableness of transactions related to healthcare enterprises, assets, and services.

Additionally, Ms. Bailey-Wheaton heads HCC's CON and regulatory consulting service line. In this role, she prepares CON applications, including providing services such as: health planning; researching, developing, documenting, and reporting the market utilization demand and "need" for the proposed services in the subject market service area(s); researching and assisting legal counsel in meeting regulatory requirements relating to licensing and CON application development; and, providing any requested support services required in litigation challenging rules or decisions promulgated by a state agency. Ms. Bailey-Wheaton has also been engaged by both state government agencies and CON applicants to conduct an independent review of one or more CON applications and provide opinions on a variety of areas related to healthcare planning. She has been certified as an expert in healthcare planning in the State of Alabama.

Ms. Bailey-Wheaton is the co-author of numerous peer-reviewed and industry articles in publications such as: The Health Lawyer; Physician Leadership Journal; The Journal of Vascular Surgery; St. Louis Metropolitan Medicine; Chicago Medicine; The Value Examiner; and QuickRead. She has previously presented before the ABA, the NACVA, and the NSCHBC. She serves on the editorial boards of NACVA's QuickRead and AHLA's Journal of Health & Life Sciences Law.

Janvi R. Shah, MBA, MSF, serves as Senior Financial Analyst of HCC. Mrs. Shah holds a M.S. in Finance from Washington University Saint Louis. She develops fair market value and commercial reasonableness opinions related to healthcare enterprises, assets, and services. In addition she prepares, reviews and analyzes forecasted and pro forma financial statements to determine the most probable future net economic benefit related to healthcare enterprises, assets, and services and applies utilization demand and reimbursement trends to project professional medical revenue streams and ancillary services and technical component (ASTC) revenue streams.