

# CAPITOL STREET

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June 30, 2023

## -2.2% Home Health 2024 Rate Proposal

\$2 B Agency Recoupment Punted While CMS Provides IVIG and DME Policy

Relevant Companies

 Humana.

 United  
Healthcare

 LHC  
GROUP

 amedisys

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Today, CMS released the proposed 2024 home health agency (HHA) rates in their rule [here](#). Payments to Home Health Agencies (HHAs) are not great for CY 2024 with an estimated - \$375 M decrease.

### »» Our Take & Next Up

**Rates aren't great for home health agencies in CY24 (proposed).** CMS estimates Medicare payments to HH to decrease by -2.2%, a negative for agencies (AMED, UNH, LHCG, HUM). CMS also decided not to recoup \$2.1 B at this time. Legislation to undo CMS payment reductions has been introduced. See details below. Comments will be accepted before final rates are published around Nov 1, 2023. New policies take effect Jan 1, 2024.

### »» Key Points

**The puts and takes.** The -2.2% decrease reflects the effects of the proposed CY 2024 home health payment update of +2.7% (\$460 M increase), an estimated -5.1% from the effects of the permanent behavior adjustment (\$ 870 M decrease), and an estimated +0.2% increase from an update to the fixed-dollar loss ratio (\$ 35 M increase). Proprietary home health agencies' (HHAs) payments projected to decrease -2.3%.

**CMS proposes a -5.6% permanent adjustment to the CY 2024 30-day base payment rate** to offset the increase in aggregate expenditures from CY 2022 and to account for the permanent adjustment of -3.9% taken in CY 23. Last year, CMS finalized a -7.85% permanent payment adjustment but only phased in a -3.925% adjustment for CY 23 to recoup retrospective overpayments in CYs 20 and 21. Now for CY 24, CMS is stepping in to apply the full permanent adjustment of -5.653% to potentially reduce any future permanent adjustments.

**The \$2 B recoupment is pushed off.** Recall that CMS stated that a \$2.1 B overpayment in 2020 and 2021 would be recouped, which was of course not great news for HHAs. CMS proposed (for '23) withholding any adjustment at this time to reconcile the alleged overpayment. CMS continued to hold on the collection of the overpayment in the final '23 rule.

**CMS is establishing a new rate for blood product IVIG for 2024.** The proposed home IVIG items and services per-visit payment rate for CY 2024 is \$419.25. The *Consolidated Appropriations Act, 2023* (CAA, 2023) establishes a separate bundled payment to the supplier for all items and services related to the administration of IVIG in the home. Beginning in 2025, CMS proposes to adjust the IVIG services per-visit payment rate from the prior year annually by only the home health payment update percentage.

**Proposed changes regarding Durable Medical Equipment (DME) are also included.**

- **CMS proposes to add the definition of brace to the rule.** The rule will codify the existing definition of a brace found in the Medicare Benefit Policy Manual and establish that this definition encompasses newer, technology-powered devices.
- **Under the CAA, 2023, CMS implements the new Medicare Part B benefit for “lymphedema compression treatment items”.** Under this benefit, CMS proposes to limit the items covered for lymphedema to only compression treatment items, no other services.

**CMS revamps the Home Health Value Based Purchasing Model (HHVBP) and the Home Health Quality Reporting Program (HH QRP) measures.** CMS wants to remove 5 measures from the HHVBP model and add 3 new measures. Due to the new measures added, they also plan to adjust the weights for the measures in the OASIS-based and claims-based measure categories starting in 2025. Lastly, they are proposing to update the model baseline year from CY 22 to CY 23 starting in CY 25 to better measure performance. CMS proposes to adopt 2 new measures and remove 1 existing measure as well as the removal of 2 OASIS items. HH QRP will also begin publicly reporting on 4 measures.

**Proposal for a new hospice informal dispute resolution (IDR) process** that is similar to the process currently available for Home Health Agencies (HHAs). This process will allow hospice programs to address disputes related to condition-level survey findings. CMS also proposes the introduction of the Hospice Special Focus Program (SFP) for poor performing hospices.

**In other news:**

- **Consolidation dominates the home health & health insurance space.** HH acquisitions first emerged in August 2021 with Humana’s acquisition of Kindred at Home, a post-acute healthcare company, in a \$5.7 B deal. In February 2023, UnitedHealth Group and LHC Group, a HH provider, merged in a \$5.4 B acquisition. Recently, UnitedHealth has also acquired Amedisys, a home health and hospice firm, in a \$3.3 B deal at \$101 per share ([here](#)).
- **Other home health legislation of note.** On June 22, 2023, Senators Debbie Stabenow (D-MI) and Susan Collins (R-ME) introduced *The Preserving Access to Home Health Act of 2023*, which aims to prevent CMS from implementing the permanent payment adjustments (See [here](#)). Additionally, Debbie Dingell (D-MI) and Adrian Smith (R-NE) introduced *The Expanding Care in the Home Act*, proposing a new addition to Medicare that would allow certain beneficiaries not eligible for Medicaid to have a home health worker for up to 12 hours

per week. The bill has not progressed, but several companies, including Best Buy's Current Health and DaVita have expressed support for the legislation ([here](#)).

- **Home health spending increased from 1.4% in 2021 to 5.1% in 2022**, one of the fastest growing health care categories. HH spending is estimated to increase further in 2023 at an annual growth rate of 7.5%, and then slightly decrease to 5.5% in 2024 (Per Health Affairs [report](#)). These changes reflect an uptake in home health services following the pandemic.

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