



Medicare Home Health Use after the 1997 BBA

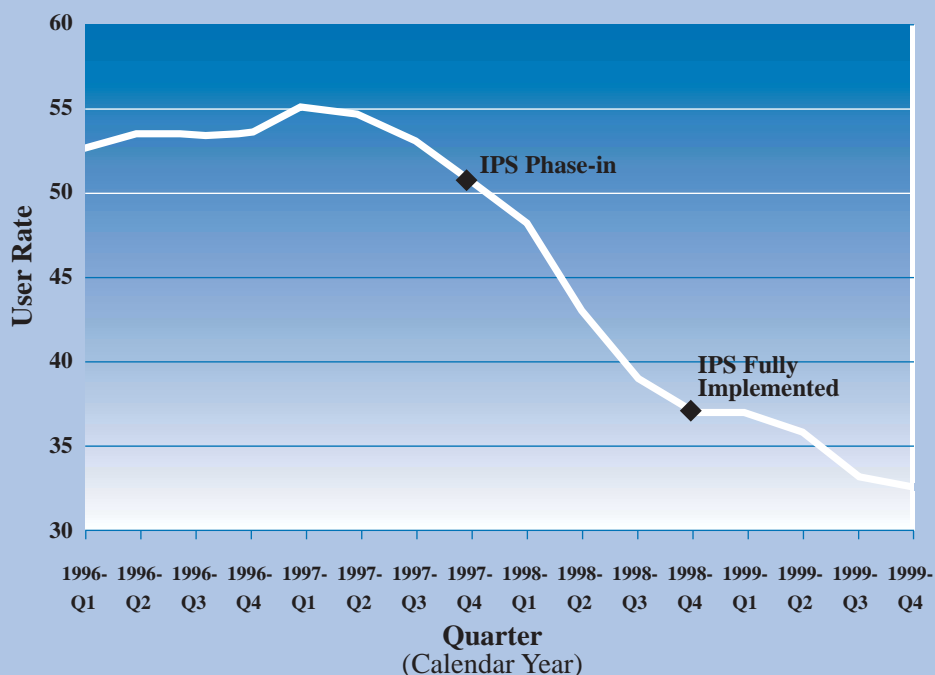
Medicare Policy Change Dramatically Affected the Use of Home Health Services

Home health is an important service for Medicare beneficiaries. In response to a 350% increase in Medicare home health expenditures from 1990 to 1996 and concerns about fraud and abuse, federal legislation – the Balanced Budget Act (BBA) of 1997 – called for changes in how home health care

was reimbursed. Rather than paying home health agencies for each unit of service, Medicare would use a prospective payment system (PPS) that paid in advance a fixed amount for each episode of care. While this system was being developed, an interim payment system (IPS) was adopted, which set a limit on aggregate per-beneficiary costs and tightened the per-visit cost limit already in place. This fact sheet reports on changes in home health use over a four year period – the 21 months before, the twelve months during, and the fifteen months after

FIGURE 1:

Home Health Users per 1,000 Medicare Beneficiaries, by Quarter, 1996-1999



the full phase-in of the IPS (which began implementation on October 1, 1998).¹ The imposition of IPS provided a natural experiment to learn how financial incentives can affect home health service use and outcomes.

- The number of home health users per thousand beneficiaries decreased by nearly 30%, from 53 users per thousand in the third quarter of 1997 (just prior to IPS phase-in) to 37 in the fourth quarter of 1998 (Figure 1).
- The number of home health visits per home health user went down by 27% from before phase-in to the start of full implementation (Figure 2).
- The average quarterly payment per user went down by nearly 25% (Figure 3).

DATA SOURCES

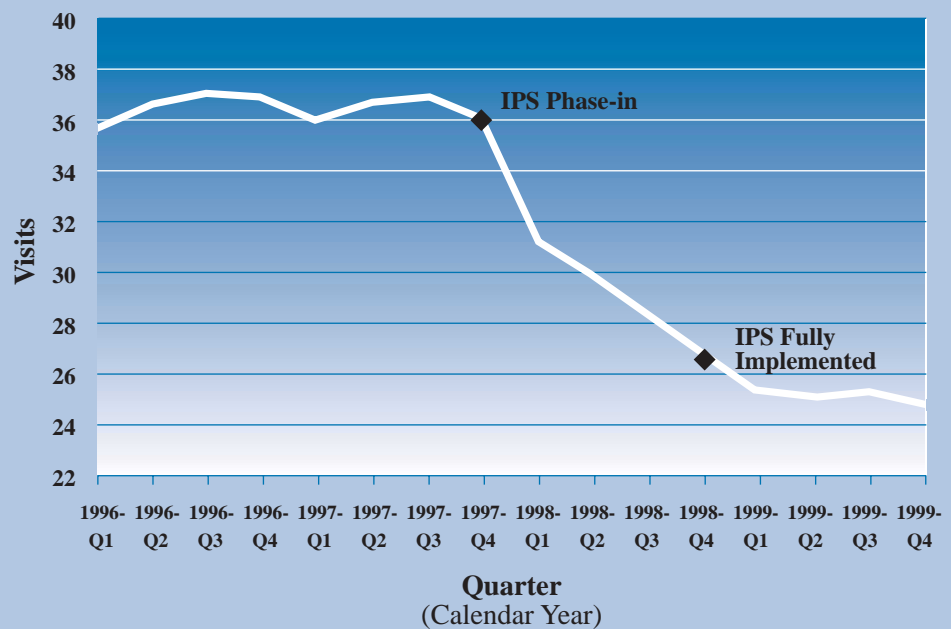
Home health visits, program expenditures, and Medicare beneficiary enrollment data came from files maintained by the Centers for Medicare & Medicaid Services (CMS). All statistics were adjusted for part-year eligibility and represent national estimates.

According to an analysis of annual data for federal fiscal years 1997 and 1999, during the four quarters before and after IPS:

- The average length of home health episodes decreased 37%, from 106 to 69 days,² and the percentage of year-long episodes also

FIGURE 2:

Home Health Visits per Medicare Home Health User, by Quarter, 1996-1999

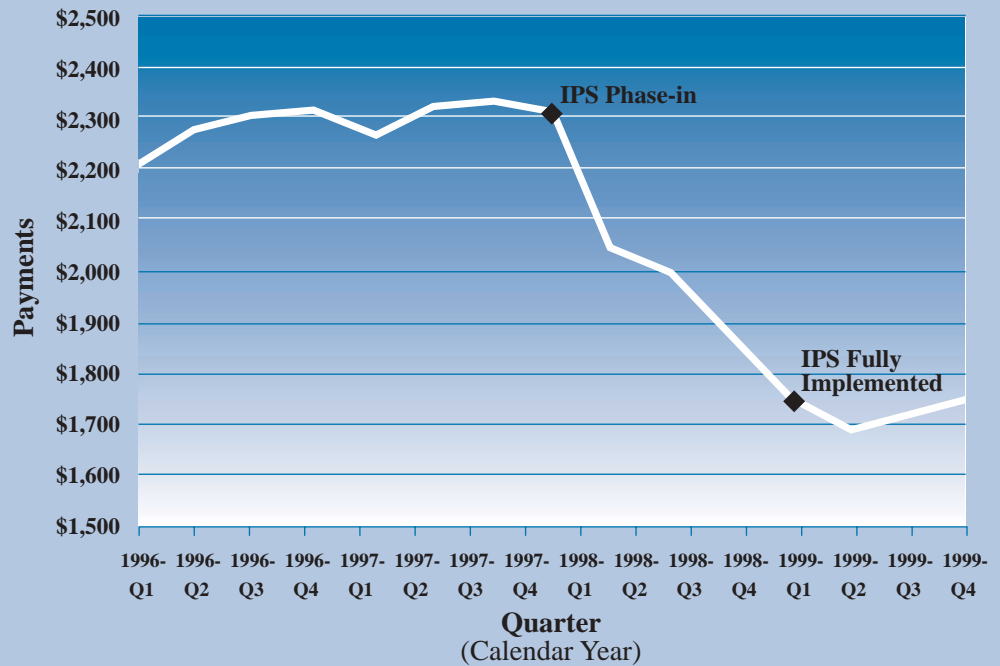


¹The Prospective Payment System (PPS) was implemented on October 1, 2000.

²An episode was defined by a 60-day gap in service.

FIGURE 3:

Home Health Payments per Medicare Home Health User, by Quarter, 1996-1999



decreased, from 10% of all episodes in FY 1997 to 4% in FY 1999.

- Total Medicare home health payments were reduced by over 50%, from \$16.4 to \$7.8 billion.

The Proportion of Skilled Care Rose, While the Proportion of Aide Visits Fell

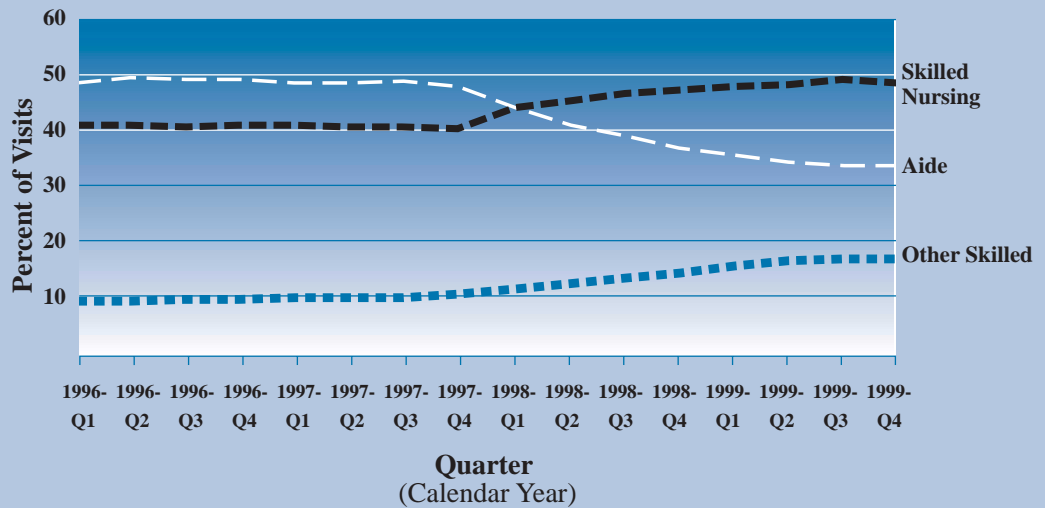
Skilled nursing visits increased from two fifths of all home health visits to almost half, while aide visits decreased from almost half to a little more than a third (Figure 4).

- Reductions in the proportion of aide visits were much more pronounced for very high-volume users (200+ visits) compared to low-volume users (<50 visits).

- Decreases in the average number of visits received by home health users did affect some socio-demographic groups of users (such as gender or age groups) more than others, but the differences were relatively small. The groups that did experience greater decreases in the number of services tended to be those with relatively high use of home health pre-BBA – in particular, high use of personal care services (rather than skilled nursing), the service that saw the greatest reductions.
- Similarly, the probability of getting any home health services at all did affect some user groups more than others, but again the differences were small. Beneficiaries who were 85 or older, enrolled in the Medicaid program, and living in states with high levels of historical Medicare home health use had larger reductions in the probability of use.

FIGURE 4:

Distribution of Home Health Visits, by Discipline and Quarter, 1996-1999



Conclusion

Evidence from this study suggests that the Interim Payment System mandated by the BBA achieved its goal – to move the Medicare home health benefit away from the provision of long-term personal care services and return it to a benefit focused on nursing care and rehabilitation. The study also demonstrates the strong impact that financial incentives can have on provider behavior.

Further results from this analysis can be found in McCall, N., Komisar, H., Petersons, A., and Moore, S. 2001. Medicare Home Health Before and After the BBA. *Health Affairs* (20) 3:189-198. The impact of the changes in home health use on the outcomes of beneficiaries is described in a second brief (The Impact of Medicare Home Health Policy Changes on Medicare Beneficiaries), also available from the Center for Home Care Policy and Research.

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The Home Care Research Initiative, a program of The Robert Wood Johnson Foundation, was established to support research and analysis that will improve the knowledge base underlying home care policy and practice. It is based at the Center for Home Care Policy and Research at the Visiting Nurse Service of NY.

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