

# PUBLICATION

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## CMS Issues CY 2016 HHA PPS, Value-Based Purchasing and Quality Reporting Final Rule [Ober|Kaler]

2015

On November 5th, CMS published the Final PPS Rule for Home Health Agencies (HHAs) for CY 2016 [PDF]. The rule implements annual changes to the PPS rates for HHAs and represents the third year in a four-year rebasing of the rates. In addition, as has been the trend in post-acute care thanks to the Improving Medicare Post-Acute Care Transformation Act of 2014 (the IMPACT Act), patient assessment and quality reporting are at the forefront, together with a new nine-state pilot value-based purchasing program.

### Payment Updates: Rebasing and Case Mix Adjustments

This year constitutes the third year of a four-year phase-in of a rebasing adjustment to the national, standardized 60-day episode payment amount and the national per-visit payment amounts. In CY 2016, the episode payment amount will decrease by \$80.95 and the per-visit payment will increase by 3.5% of the per-visit payment amount in CY 2010. In addition, in accordance with the proposal to adjust the case-mix weights annually based on the most current cost and resource-use data available (CY 2012-CY 2014), the 60-day episode payment will be reduced .97% for each of CY 2016, CY 2017, and CY 2018. Finally, overall payment rates will be subject to a 1.9% increase (using the 2010-based HHA market basket increase of 2.3% minus a .4% productivity adjustment).

### Value-based Purchasing Pilot Project

Nine states — Maryland, Massachusetts, North Carolina, Florida, Washington, Arizona, Iowa, Nebraska, and Tennessee — have been selected to participate in a multi-year pilot program of a value-based purchasing program. Participation is mandatory for Medicare-certified HHAs in the selected states, and all Medicare patients are included. There will be no fraud and abuse waivers issued in connection with the program. The program will allow CMS to apply reductions or increases of up to 8% over each of five performance years (CY 2016-2020). Adjustment will be implemented gradually, with payments adjusted by a maximum payment adjustment of 3 percent (upward or downward) in 2018, a maximum payment adjustment of 5 percent (upward or downward) in 2019, a maximum payment adjustment of 6 percent (upward or downward) in 2020, a maximum payment adjustment of 7 percent (upward or downward) in 2021, and a maximum payment adjustment of 8 percent (upward or downward) in 2022. The baseline performance year will be CY 2015, and payment adjustments for CY 2016 will be made in CY 2018 (and so forth). The payment adjustment is substantial because demonstration projects have shown that quality is not affected by smaller incentives. The rules for the pilot will be codified at 42 C.F.R. § 484.300 et seq.

Performance will be measured against quality standards, and HHAs in the selected states will compete on quality measures compared to their peers. Adjustments will be made based on i) the HHAs performance compared to other similarly-sized HHAs in the state, and ii) compared to the HHA's own performance baseline. Quality will be described in quarterly performance reports, annual payment adjustment reports, and annual publically-available performance reports. These reports will be provided to participating HHAs. Quality tracking will utilize the CMS Healthcare Quality Improvement and Evaluation System (QIES). Initially, CMS will monitor

six process measures, 15 outcome measures, and three new measures (see chart at 80 Fed. Reg. 68671). Measures include unplanned hospitalizations within 60 days of a home health stay, improvement in prior functioning, influenza vaccination rates, and pneumococcal vaccination rates. CMS will also measure rates of staff vaccination for influenza and herpes zoster (shingles) and the existence of an advance care plan.

## Quality Reporting

The IMPACT Act requires that standardized patient assessment and quality information be collected from post-acute providers, including HHAs. While the rule solicited comments on future measures, for CY 2016, the only measure that will be implemented relates to skin integrity (Patients with Pressure Ulcers That Are New Or Worsened (Short Stay)), NQF #0678.

## Ober|Kaler's Comments

Quality continues to be the major focus of updates to payment models. With the aggressive proposed value-based purchasing programs, HHAs in affected states should be extremely focused on quality measures lest they suffer substantial financial effects. As always, a strong compliance program with a focus on auditing and monitoring can substantially improve quality, and HHAs are encouraged to focus efforts in that direction to identify issues that quality programs can be introduced to address.