

PUBLICATION

Home Health, CY 2016 Proposed Rule: Emphasis on Value-Based Purchasing [Ober|Kaler]

August 20, 2015

On July 10, 2015, CMS published the calendar year (CY) 2016 home health prospective payment system (PPS) proposed rule [PDF]. While the proposed rule updates and revises certain payment rates and quality measures, it also places a significant emphasis on value-based purchasing (VBP), as CMS announced its intent to unroll a mandatory pilot project beginning January 1, 2016, for certain home health agencies. Material changes to the proposed rule include the following:

- *Rebasing adjustments:* In keeping with the Affordable Care Act (ACA) requirement, CMS is implementing the third year of the four-year phase-in of the rebasing adjustments to the 60-day episode payment amounts, the national per-visit rates, and the non-routine supply (NRS) conversion factor. This will effectively reduce the 60-day episode payment amount by \$80.95, increase the national per-visit payment amount by 3.5 percent (as compared to CY 2010), and reduce the NRS conversion factor by 2.82 percent.
- *Payment reductions to account for case-mix growth:* CMS seeks to reduce the 60-day episode payment rate in CYs 2016 and 2017 by 1.72 percent in each year. According to the CMS fact sheet accompanying the release of the proposed rule, this is in order to account for “nominal case-mix coding intensity growth unrelated to changes in patient acuity between CY 2012 and CY 2014.”
- *Market basket update:* Payment rates under the HHS PPS will be increased in accordance with the home health payment update percentage, by a total of 2.3 percent (reflecting the 2010 market basket update of 2.9 percent less .6 percent for productivity).
- *Home health quality reporting requirements:* To meet the requirements of the Improving Medicare Post-Acute Care Transformation Act of 2014 (the IMPACT Act), CMS is proposing one new cross-setting quality measure for CY 2016 related to skin integrity (percent of residents or patients with pressure ulcers that are new or worsened, short stay). CMS also proposes to establish a minimum threshold for the reporting of Outcome and Assessment Information Set (OASIS) assessments.
- *Home health VBP model:* While CMS first indicated its intent to develop a home health VBP model in its CY 2015 Home Health PPS final rule, CMS is now finalizing its proposal. It intends to implement a mandatory home health VBP model effective January 1, 2016 through December 31, 2022, for all home health agencies located in nine randomly selected states. CMS is relying on its Section 1115A(d)(1) waiver authority to apply a reduction or increase of up to 8 percent to current Medicare payments to participating home health agencies, dependent upon the home health agencies' performance on specified quality measures. Payment adjustments are not scheduled to begin until CY 2018.