

CONGRESS' 2018 BUDGET INCLUDES UPDATES FOR PROVIDERS

Need to Know

On February 9, the Senate voted to pass the [Bipartisan Budget Act of 2018](#), which funds the government through March 23, lifts spending caps for 2-years, and suspends the debt ceiling until March 2019. The budget agreement included several healthcare provisions impacting providers, including physicians, skilled nursing facilities (SNFs), long-term care hospitals (LTCHs), and home health agencies (HHAs).

Details – Physicians in MIPS: For physicians participating in the Merit-based Incentive Payment System (MIPS), there were several technical adjustments to ease physician's transition into the program:

- **Removes Part B drugs from the calculation of MIPS payment bonuses:** MIPS adjusts physician's Medicare revenue based on performance on key indicators. The Act eliminates Part B drugs from being included when calculating a physician's MIPS revenue adjustment. Specifically, the Act states that the MIPS performance adjustment will apply to "covered professional services," rather than "all items and services," thus reducing the revenue at-risk under MIPS.
- **Establishes a more gradual transition:** The Act provides CMS flexibility to more gradually increase the minimum score that a physician must achieve in order to avoid a negative adjustment in MIPS. Previously, CMS only had this flexibility through the 2nd year of the program (i.e. 2018 performance year), but the Act extended it for an additional 3 years. In addition, the Act also allows CMS to not include resource use measures in the MIPS performance score through the 5th performance year (2021).

Details – SNF: The Act reduces the SNF market basket to 2.4% in fiscal year 2019. CBO estimates that this adjustment will reduce total SNF spending by \$140 million in 2019, and by nearly \$2 billion by 2027.

Details – LTCH: The Pathway for SGR Reform Act of 2013 established a dual payment rate for LTCHs, which reduced reimbursement for patients admitted to LTCHs that do not meet certain criteria (specifically having a 3+ day ICU stay or requiring 96+ hours of mechanical ventilation). Following a 2-year transition period, LTCHs were subject to the reduced rate (known as the "site neutral" rate) beginning in FY 2018. The Act extends the transition period for an additional 2 years (through 2020) to allow LTCHs additional time to become accustomed to the reduced rate. This provision also reduces LTCH site neutral rates by 4.6% from FY 2018 through FY 2026. Through 2022, this policy will increase LTCH spending by \$290 million, but will decrease spending by \$45 million across the entire 10-year budget window.



Details – HHA: The Act makes several adjustments to home health, including revising the prospective payment system (PPS) and reducing home health payments in 2020, and extending the rural home health add-on through 2022.

- **New budget-neutral payment system:** The Act requires the HHS Secretary to reform the HH PPS beginning on January 1, 2020. Specifically, the new PPS must transition to 30-day (rather than 60-day) episodes, eliminate the use of therapy thresholds, and be implemented in a budget neutral manner. The statutory changes come after CMS withdrew its proposal to implement a HH PPS reform (known as the Home Health Grouping Model (HHGM)) in a non-budget neutral manner in CY 2019. The Act also requires the HHS Secretary to hold at least one technical expert panel meeting in 2018 to provide recommendations for the required PPS reform.
- **Payment adjustment in 2020:** The Act reduces the HH market basket to 1.5% for CY 2020. This adjustment will decrease payments to HH by \$225 million in 2020, and by \$3.5 billion over the full 10-year budget period (2018 to 2027).
- **Extension of Rural Home Health Add-On:** The Act extends the rural home health add-on through 2022. The rural home health add-on provides a 3% add-on payment for home health services delivered to beneficiaries in rural areas.

Avalere's Take

In general, the Act is largely positive for providers. The Bipartisan Budget Act included many provisions that providers have been requesting to ease the transition into new regulatory requirements.

- **Physicians Subject to MIPS /** The Act gives CMS more flexibility to extend the MIPS transition period, allowing physicians additional time to adjust to the new requirements. Many physicians have been advocating for a more gradual transition to the payment adjustments required by MIPS, so the adjustments included in the Act have been well received by physicians, particularly smaller physicians and groups with less experience with value-based purchasing programs.
- **SNF /** Although the reduction in SNF market basket for 2019 will reduce spending to SNFs, the cut is less dramatic than recent recommendations by the Medicare Payment Advisory Commission (MedPAC). In January 2018, MedPAC recommended to eliminate the payment update to SNFs in 2019 and 2020.
- **LTCH /** While the overall impact of this provision is slightly negative, the short-term relief on the transition to the site neutral rate is positive for the LTCH industry. The extended transition will allow additional time for LTCHs to adapt to the dual payment rate, as well as adjust their cost structure for patients subject to the site neutral rate.
- **HHA /** The HH provisions are largely positive for the industry. Although, CMS withdrew its HHGM proposal in 2017, the reliance on therapy thresholds has been a long-standing weakness of the HH PPS. This provision provides the industry clarity



on when the revised payment system will begin, ensures that any change will be implemented budget neutrally, and allows the industry to provide input on the ultimate design ahead of the 2020 rulemaking cycle. Although HHAs will see a reduction in market basket in 2020, the 1.5% market basket is less dramatic than the 5% reduction that MedPAC recommended in January 2018.

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