Recently, the federal government has attempted to more closely synchronize health care providers’ reimbursements with their costs, to ensure fiscal discipline while maintaining access and quality of care. This brief is based on Mathematica’s study of the Interim Payment System (IPS), which limited the average amount that Medicare could reimburse a home health agency per beneficiary. IPS temporarily modified the cost reimbursement system while the government developed a prospective payment system that is now operational. Initially, we collected client data from agencies participating in a demonstration launched by the Centers for Medicare & Medicaid Services (CMS) to test an alternative to the existing system. For this analysis of IPS, our data sources included (1) administrative data on client outcomes at the same set of agencies after IPS was implemented, and (2) survey data on client outcomes 120 days after admission. We used a pre-post analysis to compare outcomes of beneficiaries in agencies operating under the cost reimbursement system with those of beneficiaries of the same agencies under IPS.

Focus on Health Outcomes

In 1997, the Balanced Budget Act dramatically altered payments for Medicare home health care. IPS, the legislation’s most controversial requirement, led to both substantial savings to the Medicare program and substantial decreases in the amount of home health care provided. It also reduced the length of time spent in care. Understanding whether the savings produced by these changes resulted in poorer health outcomes for beneficiaries is an important concern.

Our study found no evidence of serious health consequences associated with IPS, although the data have a number of limitations (see box on p. 2). In addition, beneficiaries subject to IPS had more functional limitations than those not subject to IPS (hereafter referred to as “non-IPS beneficiaries”) when they initially sought treatment. However, they were less likely to suffer from diabetes, cerebrovascular disease, depression, and other conditions associated with higher home health service use. During the study, the functional status of both types of beneficiaries was just as likely to improve. Moreover, for IPS beneficiaries, their conditions were slightly more likely to stabilize—that is, not to worsen—than that of non-IPS beneficiaries (Table 1). When we examined activities of daily living (ADLs)—everyday tasks like preparing meals, housekeeping, and keeping track of medications—both sets of beneficiaries were equally likely to improve in their ability to perform these tasks. There is some evidence that IPS may have negatively affected self-reported

<table>
<thead>
<tr>
<th>Type of Measure</th>
<th>Number of Significant Differences</th>
<th>Favoring Non-IPS Beneficiaries</th>
<th>Favoring IPS Beneficiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improvements in ADLs (5)</td>
<td>0</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Stabilization in ADLs (5)</td>
<td>0</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Functional Status at 120 Daysa (10)</td>
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<td>1</td>
<td></td>
</tr>
<tr>
<td>Improvements in Clinical Symptoms (9)</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Stabilization in Clinical Symptoms (9)</td>
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<td>8</td>
<td></td>
</tr>
<tr>
<td>Overall Health and Satisfaction (3)</td>
<td>2</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

*a Controlling for full set of baseline characteristics.*
functional status—particularly walking—which is cause for caution. Nevertheless, most measures suggest that functional status was not adversely affected.

IPS had little effect on the health outcomes we examined, such as urinary tract infections, pain, and confusion. For IPS beneficiaries, we did find that their surgical wounds were significantly less likely to improve during their episode of care than those of their non-IPS counterparts. However, other wounds—such as pressure ulcers—were just as likely to improve, and there were no differences in the severity of the most problematic pressure ulcers or in the number of pressure ulcers. This finding suggests that the shorter time in home health care for IPS patients, rather than poor treatment of wounds, may explain the surgical wound finding.

Several measures of overall health status suggest that IPS could have had detrimental effects, but the evidence is weak. Although both groups of beneficiaries were equally likely to report good overall health, IPS beneficiaries were more likely to spend time in bed because of illness and feel less satisfied with life. Baseline characteristics do not account for these differences. However, because IPS did not negatively affect other health outcomes more directly related to home health service use, we believe this finding is the result of the changing nature of Medicare home health patients, for which we were unable to control.

Policy Recommendations

Despite concerns about changing payment systems, the research shows that IPS did not create serious negative consequences for beneficiaries. Even with large reductions in home health service use, we found little evidence that key elements of functioning or health outcomes suffered. Although IPS may have had some adverse consequences, the measures we used suggest that agencies, when given a financial incentive to reduce services, do so safely and without compromising care.

The study points to the following issues for policymakers to consider as they seek ways to further refine home health care payment mechanisms:

- Monitoring access to services to ensure that high-use beneficiaries receive care is important. The current system addresses this issue by accounting for differences in the severity of conditions.
- Since the substantial amount of missing data may have affected our results, a more thorough system of checks and balances—especially one that is tied to the payment system—may help agencies collect data for monitoring quality of care. CMS currently uses OASIS data for monitoring, but agencies have had difficulty implementing this system. A system that checks key outcomes and ensures complete data could help CMS ensure that the lowest-quality cases are not systematically unreported.

LIMITATIONS OF THE STUDY

Like most research, this study had a number of limitations. A pre-post analysis does not allow us to isolate changes due to a program from changes occurring naturally over time. The list of outcomes we measured was not exhaustive, and we may have omitted some that are more sensitive to decreases in the number of home health visits. A small number of agencies volunteered for the original demonstration and participated in the post-IPS study; they may not be representative of agencies nationwide. Administrative data based on nurses’ assessments could have been biased, if agencies instructed nurses to report the best possible outcomes on discharge forms in the IPS period. Finally, missing data may have affected our results.

References


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