Hospital-based & Free-standing Home Health Agencies:
Differences in Patients, Payments & Policy Implications

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- Former Director of Research at NAHC
  - Prior research experience at the GAO and The Lewin Group
  - Currently employed at The Moran Company
- Experience in data claims and cost report analysis since 2005 for:
  - Home Health
  - Hospice
  - Inpatient hospital
  - Skilled Nursing Facilities
- BS in Biopsychology from the University of Michigan, MSPH in Health Policy and Administration from the University of North Carolina
Rich Chesney, MBA

- President of Healthcare Market Resources, Inc., a local market competitive intelligence firm
- Healthcare Market Resources utilizes Medicare claims data to provide home health agencies & hospices a better understanding of their local market
  - BA Lehigh University Mathematics, MBA MIT Sloan School
  - Marketing and planning positions with Fortune 100 companies, with emphasis of consumer products
  - 20+ years in all aspects of home care with for-profit and non-profit organizations
Agenda

- Objectives/Political Environment
- Research Question and Background
- Hospital-based vs. Freestanding Home Health Agencies
  - Financial Differences
  - Operational Differences
  - Patient Characteristic Differences
- Conclusions/Policy Implications
Objectives

- Discuss differences in Hospital-Based and Free-Standing Home Health Agencies
- Are these differences significant?
- Comment on MedPAC’s removal of Hospital-Based Agencies in policy analyses
MedPAC

- Only includes FS agencies in analyzing Cost Reports
- From March 2008 Report:
  - “The Commission’s goal is for payments to be adequate for efficient providers...we focus on the freestanding providers because they are the majority of providers and because they do not reflect the impact of the allocation of overhead costs from the hospital. Our model of HHA margins is based on data from about 4,840 freestanding HHAs. “
Research Question

- What are the differences in HB vs. FS agencies?
  - Are there geographical differences?
  - Profitability differences?
  - Differences in staff salary and benefits?
  - Are there differences in the patients treated?
  - Do patients have different utilization patterns?
  - Are payments for patients different?

- Should HB agencies be included in MedPAC’s analyses?
Methods/Background

- Home Health Agency types:
  - Hospital-Based (HB)/Hospital-Affiliated
  - Free-Standing (FS)

- Examined
  - Agency characteristics
  - Profitability
  - Demographic characteristics
  - Diagnoses/Utilization
  - Reimbursement

- Data for Home Health:
  - Cost Reports- NAHC 2008 Cost Report Compendium
  - Claims Data- CMS 2006 Claims Data
  - Survey data- 2008-2009 HCS Salary & Benefits Survey
HB vs. FS Agencies

- Home health industry dominated by free-standing agencies
- HB agencies have fewer average PPS visits than FS agencies
- Smaller agencies have higher indirect costs

* NAHC 2008 Cost Report Compendium
Distribution of HB Agencies

Percent of HB Agencies, by State

* 2006 Home Health Claims Data
Medicare Reimbursement for HB Agencies

Percent of HB Reimbursement, by State

* 2006 Home Health Claims Data
HB Agency Penetration

- States with Highest Percentage of HB Agencies
  - Montana
  - Nebraska
  - North Dakota
  - Oregon
  - South Dakota

- States with Lowest Percentage of HB Agencies
  - Connecticut
  - Florida
  - Nevada
  - Texas
  - Vermont
Profit Margins

- Weighted - Average weighted by agency revenue
- Un-Weighted - Straight average

* NAHC 2008 Cost Report Compendium
Costs per Visit

HB agencies have higher costs per visit by discipline
Salaries and Benefits

- Hospital & Healthcare Compensation Services (HCS)
  - Annual salary and benefits survey for home health
- HB agencies have higher salaries for staff
  - Executive staff are paid 11% higher in HB
  - Administrative staff - 6% higher in HB
  - Clinical staff hourly rate differentials vary (see next slide)
    - Therapy rates often higher in FS - contract work?
- Because HB agencies are often part of a larger system, we assume benefits would be better and cost more for HB systems

*HCS 2008-2009 Home Health Salary & Benefits Report*
Salaries and Benefits

- Cost of direct patient care is higher for HB agencies

Clinical Salary Differentials (HB-FS)

*HCS 2008-2009 Home Health Salary & Benefits Report
HB vs. FS Agency Characteristics

Number of HB vs. FS Agencies  
(Total=8,744)

- HB: 18%
- FS: 82%

Number of Visits  
(Total=100,789,919)

- HB: 15%
- FS: 85%

*2006 Claims Data
Episodes and Discharges

- FS patients are receiving more episodes of care than HB patients
- HB patients have a lower episode to discharge rate

*2006 Claims Data
**Full and LUPA Episodes**

- **Percent of Full Episodes and LUPA Episodes**
  - Full Episodes: 86.3%
  - LUPA Episodes: 90.0%
  - Total: 89.3%
  - HB: 13.7%
  - FS: 10.0%
  - Total: 10.7%

- **Average Visits per Episode**
  - Full Visits: 17.35
  - LUPA Visits: 21.14
  - HB: 2.72
  - FS: 2.67
  - Total: 2.69

- **HB agencies have a higher number of LUPA episodes**

- **Visits per episodes for full episodes are lower for HB agencies**

*2006 Claims Data*
Patient Characteristics

- Patient age and sex are similar between HB and FS agencies.

*2006 Claims Data
Patient Characteristics

- Largest demographic difference is patient race
  - HB have fewer minority patients
  - Minority patients have been shown to have lower socio-economic status

![Bar chart showing race distribution](chart.png)

- White: 85.8%, HB: 81.4%
- Black: 10.8%, HB: 13.9%
- Hispanic: 1.2%, FS: 1.2%
- Asian: 0.6%, FS: 0.6%
- Other: 1.5%, FS: 1.5%
Primary Diagnoses

HB agencies have a higher percentage of the following patients:
- Cancer
- Cardio
- Pulmonary
- Digestive
- Injury/Fracture
- Other

FS agencies have more patients with diabetes and nervous conditions
- FS have more intensive patients

*2006 Claims Data
HHRG Scores: Service Utilization

- HB are not receiving as many therapy cases and their patients are not coming as frequently from Rehab/SNF facilities

*2006 Claims Data
HHRG Scores: Functional Status

- HB patients have fewer functional limitations upon admission
- FS patients have higher F3 scores

*2006 Claims Data
HHRG Scores: Clinical Severity

- FS patients are sicker
- HB agencies have lower clinical severity scores
- Lower on C2/C3
- Average Case-Mix Weight - 1.25
  - HB: 1.17
  - FS: 1.26

*2006 Claims Data*
Utilization

- Therapy utilization - lower for HB agencies
  - Is this poor management of therapy services, or a lower need for therapy?
- Rehab/SNF - Slightly higher for HB

<table>
<thead>
<tr>
<th></th>
<th>HB</th>
<th>FS</th>
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<td>Therapy</td>
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<tr>
<td>Rehab/SNF</td>
<td>9.5%</td>
<td>8.7%</td>
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Overall Visits per Episode

- Includes LUPAs
- Total Visits per episode lower for HB agencies
- SN, MSW, PT, ST, and MSW lower for HB agencies

*2006 Claims Data

<table>
<thead>
<tr>
<th>Total</th>
<th>SN</th>
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<th>ST</th>
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</table>

Bar chart showing: HB, FS, Total visits per episode for different services.
Visits per Full Episode

- Total, SN, MSW, and HHA lower for HB agencies
- PT higher for HB, even though therapy utilization is overall lower for HB agencies
  - Are HB agencies using the PT for other skilled care?

*2006 Claims Data
Revenue per Episode

- HB agencies have lower revenue for full episodes and total revenue
- HB have roughly equal LUPA revenue

*2006 Claims Data
Conclusions

- HB agencies have different patient mix that FS agencies
  - Lower case-mix weight
  - Fewer minority patients
  - Higher LUPA percentage
  - Patients are less clinically and functionally severe
  - Less therapy, slightly higher Rehab/SNF utilization
  - Fewer visits per episode
    - Lower SN, HHA visits per episode; higher PT visits per episode (using PT to perform other services?)
  - Lower revenue per full episode and overall
Conclusions

- HB provider is different from FS provider and should be assessed for differences in:
  - Patient mix and necessary utilization
  - Ability to be profitable with higher LUPA percentage
  - Salary and benefits
Policy Implications

- MedPAC should include HB agencies in cost report assessments
  - Different patient population
  - Different utilization
  - Different revenue/costs leads to lower profitability

- Revisions to cost report to standardize:
  - What can be included in administrative cost categories that occurs for HB agencies
  - What should be a part of direct and indirect costs

- HB agencies in a few key states are the home health industry
Call to Action

- Write your Congressional representative and tell him/her
  - How MedPAC has been “misleading” Congress by talking about the “16% profit margin for freestanding home health agencies”.
  - When ALL agencies are included in the profit margin calculation, the industry is 25% less profitable and does warrant the budget cuts and restructuring in the Obama budget.
CONTACT INFORMATION

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