



The Incredible Future *of* Home Care *and* Hospice

By Robert Fazzi and Lynn Harlow

If you thought the past of home care and hospice was something, wait until you see the future. Home care and hospice are going to grow in the number of people they serve, and in the scope, clinical, and programmatic sophistication of their services. We will do more, serve more, and play a far bigger role in the future of health care than most people can imagine, and it's inevitable.

Before you start thinking that these are the dreams of home care and hospice professionals, consider what the United States Department of Labor (2005) says; *"The home health care services industry, which provides such in-home services as nursing and physical therapy, has the distinction of becoming the nation's fastest growing employer by 2014."*¹

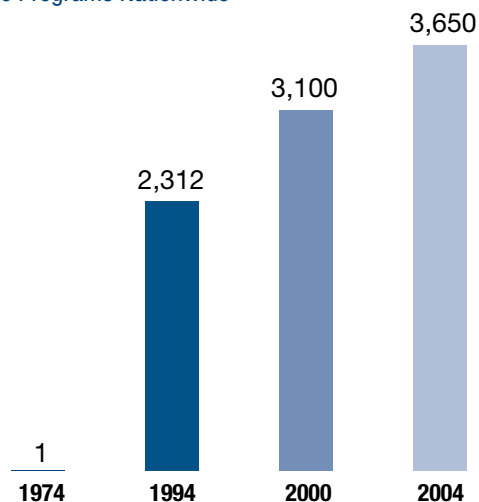
We just have to look at the history of home care or hospice programs to get a sense of what is happening. Following the devastating blip (many would call it a valley) caused by the Balanced Budget Act of 1997 where changes in reimbursements led to a dramatic decrease in home care agencies (roughly 30 percent in three years), NAHC reports that the number of agencies is steadily growing – 14 percent between 2000 and 2004. There's also one big change from the early, pre-1970 years of home care when there were no for-profit agencies; today, the largest segment of home care is the for-profits, the proprietary agencies, numbering more than all other types of home care agencies combined.

Hospice has experienced a similar although less rocky growth. The Centers for Medicare & Medicaid Services (CMS) Health Standards and Quality Bureau (January 2006) report that by the end of 2005, there were 2,884

hospice agencies in this country. In the mid-1970s, the vast majority of hospice programs were a division of certified home care agencies. Today, most hospice programs belong to freestanding agencies, with regional and national agencies playing a bigger and bigger role.

Hospice Has Grown and Changed Significantly

Hospice Programs Nationwide



Source: National Hospice and Palliative Care Organization; NHPCO's 2004 Facts and Figures

¹Industry output and employment projections to 2014, Jay M. Berman, Office of Employment and Unemployment Statistics, Bureau of Labor Statistics, November 2005

Six Forces Shaping the Future of Home Care

The drivers of this growth are many (far more than six) and collectively they lead to one inevitable fact: home care, especially an expanded definition of home care, will become the primary provider of health care and community-based services. The six forces discussed in this article represent some of the most powerful forces that will have a disproportionately strong influence on home care's future. Let's look at each of these driving forces.

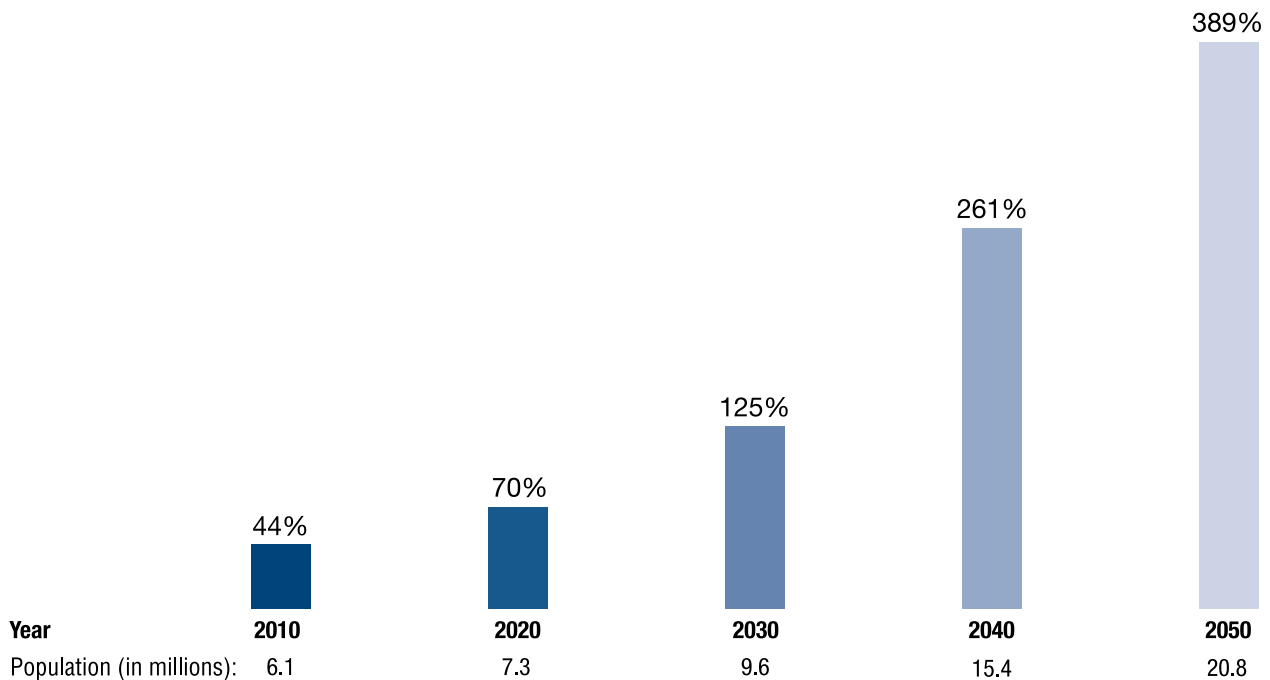
1. Exponential Growth in the Population Eligible for Home Care Services: No article on the future of health care can be considered valid without first acknowledging the demographic realities. The number of people who are the primary source of home care's services (Medicare recipients) is going to grow, not steadily, not linearly, but geometrically and dramatically.

According to the U.S. Census Bureau, the leading edge baby boomers (78.2 million people born between

1946 and 1964) will turn 60 in 2006². Among the Americans celebrating their 60th will be our two most recent presidents, George W. Bush and Bill Clinton. Other well-known celebrities reaching this milestone include Cher, Donald Trump, Sylvester Stallone, and Dolly Parton. While most home care professionals are focusing on the baby boomers, there is another population that is growing even more rapidly. It is a population that will have an even greater impact on home care agencies and that impact will occur far sooner than 2011. It is the frail elderly population— those 85 years of age and older – who are most likely to use home care services. Consider the chart below.

While it is true that the baby-boomer numbers are staggering, it will be many years before they become major beneficiaries of home care services. In the near future, it will be the frail elderly who will experience the most significant growth – 78 percent in this decade alone. If nothing else happens, demographic realities alone will drive exponential growth in home care and hospice programs. But it doesn't stop here.

Growth Rate in Population 85 Years of Age and Older from the Year 2000



Source: U.S. Census Bureau, *Projected Population Change in the United States, by Age and Sex: 2000 to 2050, Tables 2a and 2b.*

²U.S. Census Bureau, *Public Information Office, Revised: March 23, 2006*

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*Private Duty Today, Issue #84, January 24, 2007.

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2. New Technologies and Medical Breakthroughs Will Increase the Number of People Living Longer Lives:

Think about this. In the last century, the average life span of both males and females increased by approximately 30 years. If you were a female born in 1900, you could expect to live 48.96 years; 46.61 years if you were a male. Compare that to the year 2000: 79.39 years for females, 74.03 years for males. Although not as dramatic, Social Security Actuarial Tables project a continued extension of life expectancy in the next 50 years.³ (*See the Life Expectancy table to the right*).

According to the National Institute on Aging, improvements in nutrition and the control of infectious diseases drastically reduced child and infant mortality during the first half of the 20th century. These developments produced astonishing advances in life expectancy. By 1950, penicillin and sulfa drugs led to a substantial increase in U.S. adult life expectancy. In the latter part of the century, continued improvements in living standards, health behaviors, and medical care also lowered mortality from chronic diseases, especially heart disease and stroke.⁴

In the first half of this century, longevity will be impacted by medical developments that most people have not yet dreamed of. In a recent federally funded study by the Rand Corporation, 33 key potential breakthroughs were identified. The authors of the study stated that, “*These breakthroughs spanned the areas of improved disease prevention, more precise risk stratification and earlier detection of sub-clinical diseases through improved imaging and genetic profiling; better treatment for established diseases through biomedical engineering, cell biology, and genetic engineering; and changes in lifestyle and care management.*”⁵

According to the World Future Society, “*Medical advances that slow the fundamental process of aging now seem to be within reach. They can well help today’s middle-aged baby boomers to live longer than even [the] CSIS (Center for Strategic & International Studies) anticipates today.*”⁶

In home care, advanced wound care, with the development of negative pressure wound therapy, and infrared medical devices, which increase circulation and reduce pain are just two of the new generation medical breakthroughs that positively affect patient treatment.

What is clear is that the life spans of both men and women have expanded and will continue to expand. Now,

Life Expectancy

Year	Male At Birth	Female At Birth
1900	46.41	48.96
1950	65.63	71.13
1960	66.66	73.24
1970	67.15	74.86
1980	69.94	77.52
1990	71.82	78.90
2000	74.03	79.39
2010	75.40	79.95
2020	76.50	80.80
2030	77.51	81.66
2040	78.46	82.47
2050	79.35	83.22

Source: *Life Tables for the United States Social Security Area 1900-2100, Actuarial Study No. 120, August 2005 by Felicitie C. Bell and Michael L. Miller*

here’s the catch. *If it is inevitable that people will live longer, it is also inevitable that they will ultimately become frailer – expanding the population served by home care even more.*

3. Long-Term Services for Seniors are Shifting From Institutional Care to Home Care:

First, the obvious. No one wants to be in a nursing home. That historical locus of long-term care for our nation’s most needy citizens has long been the place of last resort. It is also the place that costs the most. According to the most recent national study of nursing home cost, the average annual national cost of a private room in a nursing home is \$70,912, or \$194 per day, reflecting a two percent increase over the 2005 rate of \$190 a day. The average annual cost for a semi-private room (double occupancy) is \$62,532 (\$171.32/day), a 2.3 percent increase over the 2005 rate (\$167.44/day).⁷

³Life Tables for the United States Social Security Area 1900-2100, Actuarial Study No. 120, August 2005 by Felicitie C. Bell and Michael L. Miller

⁴The Future of Human Life Expectancy: Have We Reached the Ceiling or is the Sky the Limit? National Institute on Aging, Research Highlight # 8, March 2006

⁵Health Status and Medical Treatment of the Future Elderly: Implications for Medicare Program Expenditures: Final Report, Dana P. Goldman and Michael Hurd, Project Leaders, RAND Health, CMS Contract No. 500-95-0056, May 2003

⁶Cetron, Marvin J. and Owen Davis “53 Trends Now Shaping the Future,” special report published by the World Future Society, 2005

⁷Genworth Financial 2006 Cost Of Care Survey, Nursing Homes, Assisted Living Facilities and Home Care Providers, March 2006

These skyrocketing costs have led to a concerted effort in most states to reduce the number of people entering nursing homes – and it is working. Between June 2000 and June 2006, the number of beds, the number of patients and the number of nursing home facilities all declined.⁸ During the same time period, the number of seniors historically eligible for nursing homes increased.

Where are all of the people going? To a variety of home and community-based options being developed in states throughout the country. In fact, according to a report issued by the CBO (Congressional Budget Office), since 1992, spending for home-based care has grown faster than spending for nursing home care: 11 percent for home-based programs annually versus three percent for nursing homes. Today, community and home-based services account for over 35 percent of long-term care, and it's growing.

There are an array of “alternatives to long term programs” directed at helping consumers age in place. These programs range from national models like the PACE programs to

programs that have been around for many years, i.e. New York State's long-term Lombardi Program. They also includes Medicaid's Cash and Counseling Demonstration (beneficiary-managed budget model), which began with three states: Arkansas' Independent Choices; Florida's Consumer-Directed Care Plus; and New Jersey's Personal Preference, and now includes 22 states, with more joining. Fourteen more states have or are planning programs for the elderly that will allow some degree of management for personal care services, such as Delaware's Independence Plus Attendant Services Waiver Program, Georgia's Community Care Services Program, and Montana's Big Sky Bonanza.⁹

The second and less obvious bit of information is that for those aging in place who might need some help, the overwhelming majority would prefer to receive support to stay in their own homes rather than move into an assisted living or continuous care facility no matter how plush or upscale it might be. In both heterogeneous and homogeneous focus groups run by Fazzi Associates, the vast majority (not all)

⁸ CMS – OSCAR standard health survey data for June of each year. American Health Care Association – Health Services Research and Evaluation, June 2006

⁹ Waiver information from Kaiser Family Foundation, Kaiser Commission on Medicaid and the Uninsured, *Beyond Cash and Counseling: An Inventory of Individual Budget-based Community Long Term Care Programs for the Elderly*, April 2006 by Brenda C. Spillman, Kirsten J. Black and Barbara A. Ormond, The Urban Institute

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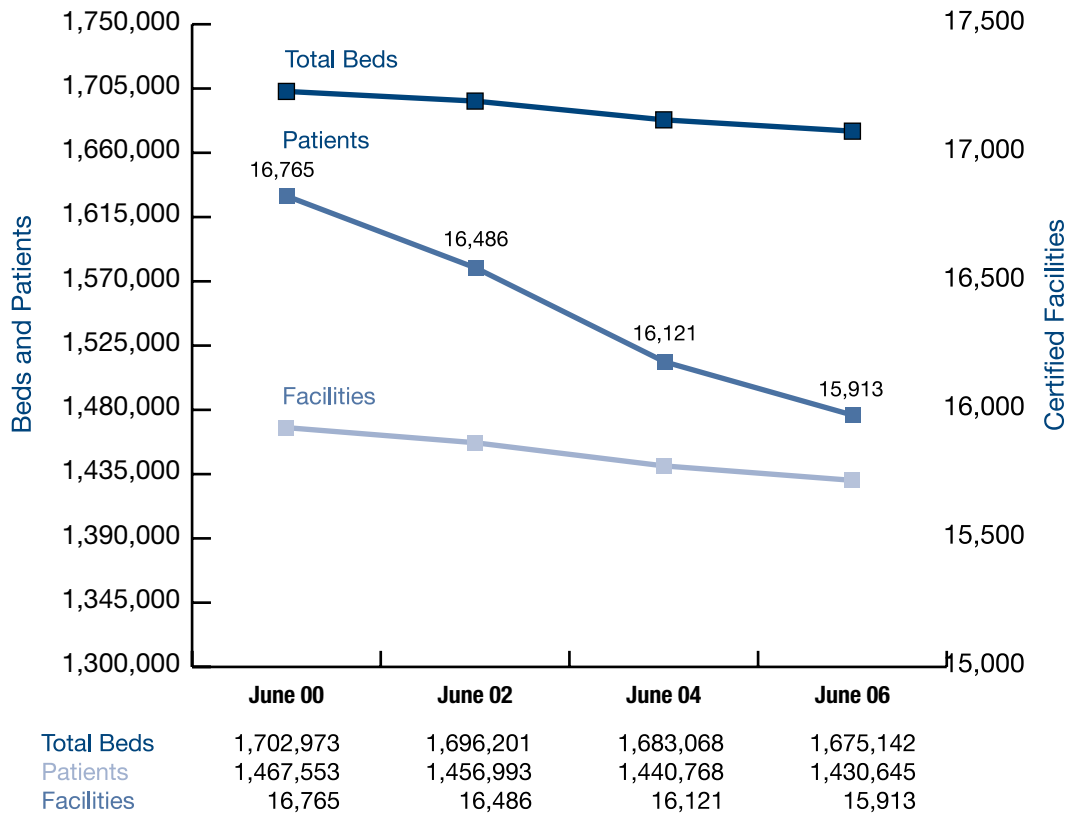
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Trend in Certified Nursing Facilities, Beds and Patients



Source: CMS – OSCAR standard health survey data for June of each year. American Health Care Association – Health Services Research and Evaluation, June 2006

of the participants adamantly stated that they want to stay in their own homes. In May 2003, a national study by AARP (“These Four Walls”, AARP, May 2003), found that “83 percent of seniors wanted to stay in their existing home as long as possible rather than move into a smaller home or a retirement community.”¹⁰

Home care agencies are increasingly interested in expanding their mission to include people who are not medically needy or homebound. The result? New service options have and will continue to emerge.

4. Staffing Shortages Will Challenge Agencies: It is no secret that many agencies are facing staffing shortages, some serious enough to threaten their very viability. Part of the issue is the lack of caregivers; the other is the growth in

demand. Both are expected to play a bigger role in shaping the future of agencies.

In terms of shortages of clinical staff, a glance at the projections of nursing shortages gives you an idea of the magnitude of the problem.

Shortages are also expected in other major disciplines, particularly physical therapy.¹¹ And it is not just the professional disciplines that face a crisis. Consider home health aides. Eight out of 10 hours of paid care received by long-term-care clients is provided by a paraprofessional. Included in this group are home health aides, personal care attendants, and certified nurse aides. According to the U.S. Department of Labor, the number of home health aides is projected to grow by 56.0 percent while the number of RNs (a problem already noted), will grow by

¹⁰These Four Walls: Americans 45+ Talk About Home and Community, Prepared by Mathew Greenwald & Associates, Inc., AARP, May 2003

¹¹National Clearinghouse on the Direct Care Workforce, September 2004 Fact Sheet

National Supply and Demand Projections for FTE Registered Nurses

Year	FTE Supply	FTE Demand	Shortage	% Shortage
2000	1,889,243	1,999,950	-110,707	-6%
2005	2,012,444	2,161,831	-149,387	-7%
2010	2,069,369	2,344,584	-275,215	-12%
2015	2,055,491	2,562,554	-507,063	-20%
2020	2,001,998	2,810,414	-808,416	-29%

Source: U.S. Department of Health & Human Services, Health Resources and Services Administration, Bureau of Health Professions, National Center for Health Workforce Analysis, July 2002

only 29.4 percent between 2004 and 2014¹². No matter how you cut it, staffing represents one of the most critical challenges during this time of increased demands. Part of the answer is to entice more people to join the field; part is to begin looking at new technologies. This brings us to trend five.

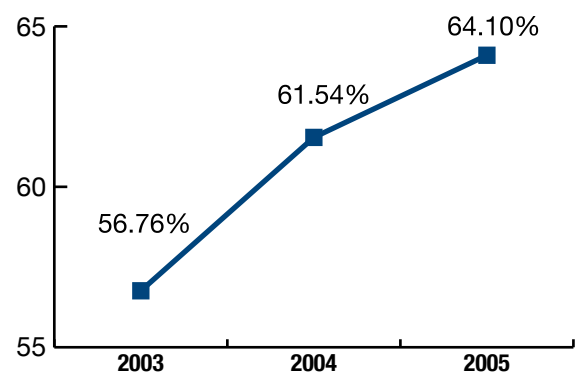
5. Technology, Particularly Telehealth, Will Play an Increasing Role: When looking at the future of home care, two technologies stand out – the use of Point of Service (POS) systems in the field and the use of the various forms of telehealth – monitors, on-call systems, and video monitors, to name a few. Both are moving from the perspective of “emerging technology” to being an integral part of the new home and community-based system.

In a national study of best practice agencies by Gina Mazza, Rob Thomas, and Dr. Carleton Townsend, it was found that both technologies are growing rapidly. The study centered on over 100 agencies, all of which have provided three years of operational data and participate in Fazzi’s National BestWorks Alliance. The agencies in the study tended to be medium and large in size. The findings provided a clear view of what was already occurring in the field: agencies are increasing their adoption of both systems.¹³

The reasons are simple. While POS in the field may not have been the productivity panacea that many agency leaders hoped for, it clearly has led to increased accuracy in data collecting and more consistent OASIS scorings. Accuracy of data is critical to the future of health care.

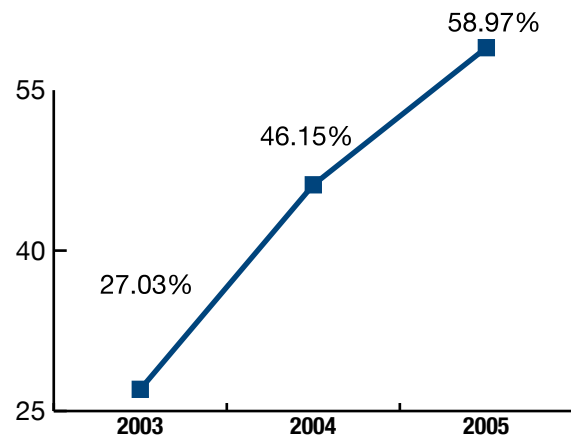
Use of POS

BestWorks® Technology Trend:



Use of Telehealth Systems

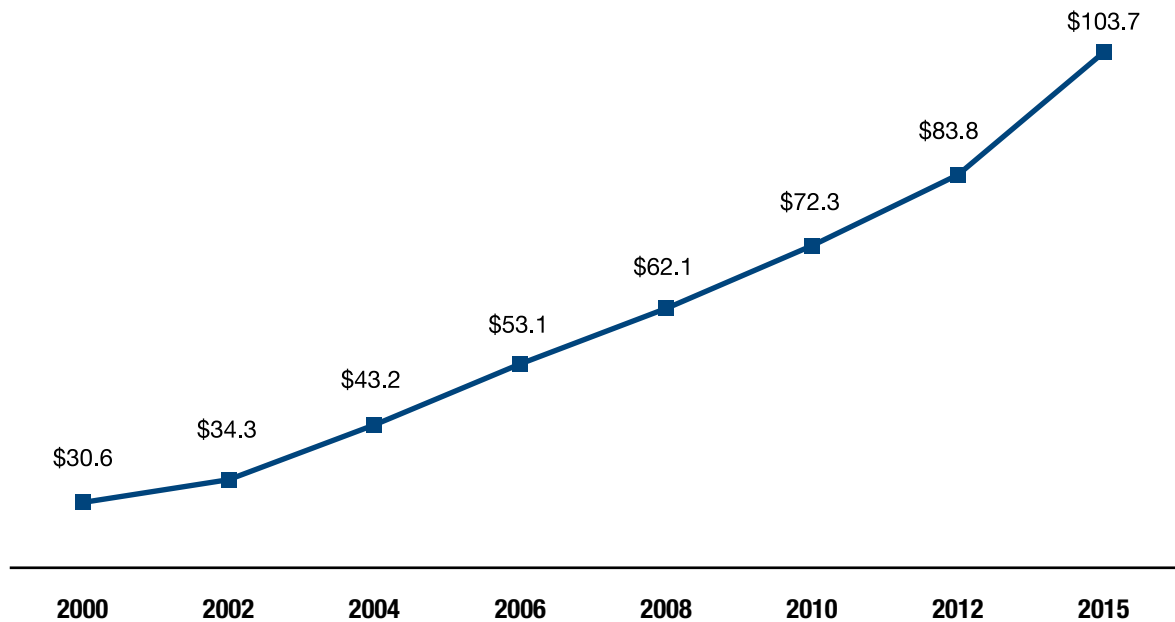
BestWorks® Technology Trend:



¹²U.S. Department of Labor, Occupational Employment Projections to 2014, Employment Outlook: 2004-14

¹³Segmented Study of the Use of POS and Telehealth Systems by Best Practice Agencies, 2006 by Gina Mazza, Rob Thomas, and Carleton Townsend

Home Health Expenditures Historical and Projected




Telehealth, on the other hand, has proven itself to be a viable means of monitoring patients' health and well-being. While some may question the cost of the various systems, few can ignore the reality. Tim Rowan, editor of the *Homecare Automation Report*, in a speech before the Massachusetts Home Care Association, asked the audience, "Can you imagine a time when you monitor a patient daily or even more often, and visit the patient only when they need services rather than on a planned schedule whether they need it or not? It would be less costly and more patient centered, and thanks to new developments in telehealth, that day is here."

The reality and importance of telehealth has only been accelerated by the combined challenges of more patients and staffing shortages. Telehealth allows you to maximize your staff resources and utilize visits at the most critical times. In the future, the question will not be which patient should we provide with a telehealth system to, but rather why would we not use a telehealth monitor.

The importance of telehealth has not been lost on the big players. In the June 28, 2006 issue of *Homecare Automation Report*, it was reported that the national chain drugstore, CVS, is getting into the home monitoring field by selling a \$99 home monitor. With a \$50/month subscription, patients can upload vital signs to a website where the information is made available to "designated family

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members, physicians, and pharmacists.” It is far too early to see what the success of this effort will be, but one thing is clear: telehealth will become a standard in the near future.

6. Number One Future Reality - Cost: When you look at the expanded definition of home and community-based services, it is clear that the primary funding sources are Medicare (primarily for medically needy homebound patients) and Medicaid (primarily for long term). The problem is that expenditures in both are growing far faster than revenues are being generated from their trust.

Take a look at projections for expenditures in Medicare from the Office of the Actuary in the Centers for Medicare & Medicaid Services. Between 2006 and 2015, it is projected to nearly double, reaching a staggering \$103.7 billion in 2015.¹⁴ Medicaid is expected to go through similar growth in its long-term programs.

If you were the federal government, what would you do? You would have one goal in mind: control cost. How would you do it? You would shift expenditures from high-cost options (nursing homes, extended hospital stays) to lower-cost options (home and community-based services).

It is already happening. Just look at reality three and the nursing homes. The shift has long since started, and will continue to accelerate.

Home Care and Hospice Incredible Future – Putting It All Together

While there are certainly a number of other forces that will shape the future of home care – the national emphasis on quality, pay-for-performance, use of best practice, computer and clinical technology – one thing is clear: home care is growing, will continue to grow, and will play a bigger role in the emerging community-based health care system.

The simple demographic growth coupled with new clinical developments will result in more people needing services. Seniors’ preference to want to stay and receive services in their own homes will ensure a willing and politically active client constituency. New technologies, particularly telehealth, will lead to advanced monitoring and safety. And a national funding challenge will force the federal government to focus on cost-effective options as a viable alternative to traditional high cost, long-term care and hospital service models.

Given these realities, what should agencies do? Start with your next strategic plan to redefine your mission from the limiting “meeting the medical needs of homebound seniors” to a broader definition of “providing a full range of services designed to keep people as healthy and as independent as possible in their home and community settings.” Consider new service models. Integrate technology, particularly telehealth, and get ready to play a bigger role in the future of seniors in your community.

The past was impressive, the future will be incredible, and the winners in all this will be the patients and consumers who receive services from a broader and more clinically and technologically sophisticated home and community-based service system. It is an exciting time.



About the Authors: *Lynn Harlow is a partner in Fazzi Associates and serves as the Director of Administrative, Human Resources and Financial Operations. She also serves as the Director of Fazzi's Business Intelligence Division, the division that conducts in-depth marketing studies for home care agencies and vendors. Lynn can be reached at lharlow@fazzi.com.*



Dr. Robert Fazzi is the founder and managing principal of Fazzi Associates. He is an author, futurist, and national expert on operational and programmatic trends facing home care. Bob has also served as the director of a number of national home studies including the 3M OASIS Integrity Project and the Briggs Quality Improvement/Hospitalization Reduction Study. He can be reached at bfazzi@fazzi.com.

¹⁴Centers for Medicare & Medicaid Services, National Health Care Expenditures Projections: 2005-2015, Released January 2006