PRICEWATERHOUSECOOPERS

Analysis of Medicare Margins For Home Health Agencies

A Report Prepared for the National Association for Home Care and Hospice

October 12, 2006

PRICEWATERHOUSECOOPERS

Table of Contents

EXECUTIVE SUMMARY i

BACKGROUND: ISSUES IN ESTIMATING MARGINS 1

NATIONAL MARGINS.....2

VARIATIONS IN MARGINS 4

OVERALL MARGINS INCLUDING NON-MEDICARE REVENUES.....8

CONCLUSION AND SUMMARY 9

APPENDIX A A-1

APPENDIX B B-1

PRICEWATERHOUSECOOPERS

Executive Summary

Medicare payments are a major determinant of home health industry financial performance. If home health payments in aggregate are not sufficient to meet costs, then some home health agencies will have to admit fewer patients and others may have to close. A significant share of home health revenues comes from the Medicare program. For that reason, a key factor in determining the financial status of the home health industry is Medicare margins, which are defined by the ratio of Medicare revenues less Medicare costs to Medicare revenues.

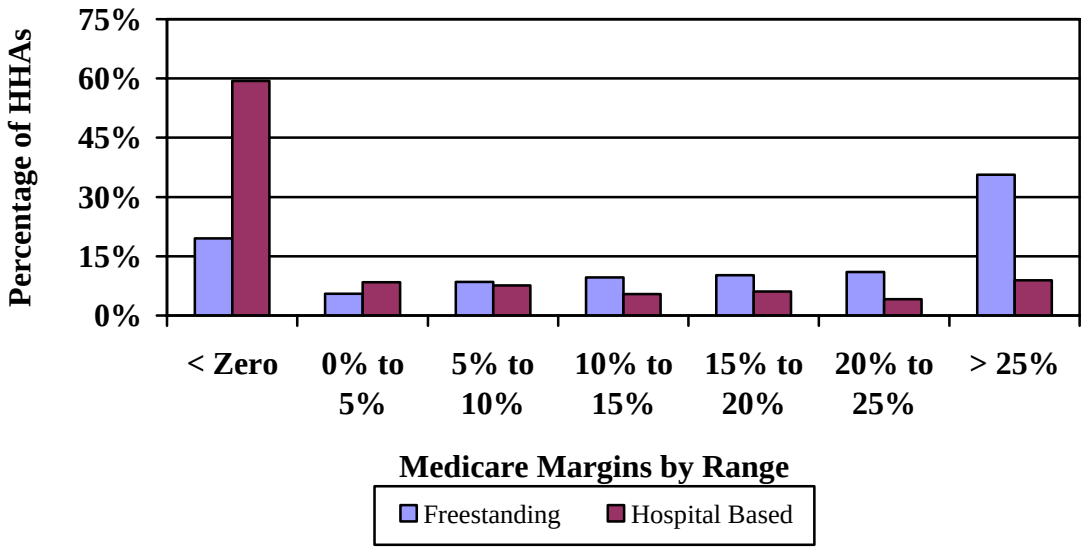
The National Association for Home Care and Hospice (NAHC) engaged PricewaterhouseCoopers to assess methods for calculating and analyzing Medicare margins for home health services. To do this, PricewaterhouseCoopers conducted a study of Medicare and non-Medicare margins in different geographic areas and in different types of home health agencies and evaluated several approaches to determining the margins. PricewaterhouseCoopers also examined the overall financial margins of home health agencies, considering both Medicare and non-Medicare revenues. Underlying data and summary statistics used in this analysis were provided by the National Association for Home Care and Hospice and verified by PricewaterhouseCoopers.

The findings in this study show that Medicare margins have considerable variation by geography, by the size of the agency, and by agency type. A single summary statistic, such as the national revenue-weighted average Medicare margin published by the Medicare Payment Advisory Commission (MedPAC), fails to portray the range of Medicare margins or represent the Medicare margin for any given agency. As a result, the impact of changes in Medicare payment rates on the financial performance of home health agencies and access to care cannot be adequately assessed by reference to changes in a national average margin. Recognizing the local nature of the provision of home health services, analysis of financial performance and access to care should consider the universe of available home health agencies because all types and sizes of agencies do not serve all areas. In addition, stability in access to care is dictated by both Medicare financial outcomes and the financial outcome from all payer sources requiring an understanding of the overall financial performance of home health agencies.

PricewaterhouseCoopers' findings are summarized in Figure A below. The revenue-weighted average Medicare margin for freestanding home health agencies is 20.1%. Although this is the most commonly cited statistic and is tracked by MedPAC, other margin statistics reveal a great deal of variation beneath this aggregate statistic. Figure A shows that Medicare margins vary widely. Nearly one-third, or 31.7%, of all home health agencies have Medicare margins below zero. The distribution by type of home health agency is quite different. Approximately 20% of freestanding home health agencies have margins below zero, while almost 60% of hospital-based home health agencies experience losses on Medicare revenues. At the other end of the scale, 27.4%

of all home health agencies have margins of 25% or greater (35.6% of freestanding home health agencies and 8.9% of hospital home health agencies).

Figure A
Distribution of HHA Medicare Margins



Source: Medicare cost reports data, 2004

Given the wide variability in Medicare margins, adjustments to payment rates that may be considered by policymakers can have quite different impacts on financial status across the spectrum of home health agencies. Adjustments that appear to offer adequate compensation on an aggregate level could make home health services less accessible in areas where margins are far below the national average.

Background: Issues in Estimating Margins

Medicare payments are the most important source of payments for home health services. In 2004, about $11 billion in payments were made to approximately 8,000 Medicare participating home health agencies (HHAs) nationwide. Freestanding HHAs make up approximately 80% of all HHAs nationwide, and hospital-based agencies represent the remaining 20%. This ratio can vary widely--in some states, hospital-based HHAs exceed 60% of all HHAs.

Medicare payments are a major determinant of home health industry financial health and consequently, Medicare patient access to home health services. Roughly 38% of revenues to freestanding HHAs came from Medicare payments. If home health payments are not sufficient to meet costs, some HHAs will have to admit fewer patients and others may have to close.

Federal policymakers recognize the importance of maintaining adequate payments and the relationship of adequate payments to good patient access and quality. For that reason, a key factor in setting home health reimbursement rates is the relationship between payments made by Medicare and cost of providing the services. Medicare margins are defined as the ratio of Medicare revenues less Medicare costs to Medicare revenues. For example, if Medicare pays $100 for a service that costs the home health agency $95 to produce, the Medicare margin is five percent. For obvious reasons, an organization without enough revenues to pay the costs of operations cannot stay in business for very long. In fact, to attract investors, an organization must earn a profit in order to compensate its owners for the use of their funds, which requires that revenues exceed costs.

The National Association for Home Care and Hospice (NAHC) engaged PricewaterhouseCoopers to assess methods for calculating and analyzing Medicare margins for home health services. To do this, PricewaterhouseCoopers undertook a thorough review of many different dimensions of Medicare margins. PricewaterhouseCoopers analyzed Medicare and non-Medicare margins in different geographic areas and in different types of HHAs.

PricewaterhouseCoopers also looked at the variation in Medicare margins to assess whether published averages adequately portray financial performance across the industry. Underlying data and summary statistics on which the analysis is based were provided by NAHC and verified by PricewaterhouseCoopers.

National Margins

The first statistic of interest to policymakers who are making decisions about payment is, of course, the average Medicare margin. The word "average," however, has a wide variety of definitions, including the following:

1. Medicare margin across all Medicare home health revenues. This is a common definition and the one most often cited when only one statistic is put forward in discussions. This statistic is equivalent to treating all 8,000 Medicare HHAs as one big organization with one set of books. If that were the case, then the one big organization would have this margin. Another term for this statistic would be revenue-weighted average margin.
2. Simple average Medicare margin across HHAs. The focus of this statistic would be the typical earnings of HHAs. Mathematically, this would represent the sum of all Medicare margins across all HHAs divided by the total number of agencies. Another term for this margin would be the agency-weighted average margin.
3. Median Medicare margin across HHAs. This is the margin that divides the home health industry into two equal groups of agencies when ranked by margins--that is, 50 percent of HHAs have Medicare margins more than the median and 50 percent of HHAs have Medicare margins below the median.

In evaluating the implication of reimbursement policy on a segment of the provider market, no single summary statistic can serve as the key financial indicator when there is variability across the population. Any national average or median fails to provide insight into the range of outcomes across the diverse business models for delivering home care services to Medicare beneficiaries. Among the various types of averages, each has advantages and disadvantages. A national revenue-weighted average is similar to the Medicare margin associated with the average patient in home health care. The national agency-weighted and median statistics are more indicative of margins at typical home health agencies rather than margins for typical patients. The median Medicare margin is less affected by home health agencies with large negative (or positive) margins. A thorough analysis should include both averages and medians for both Medicare and overall margins. A number of dimensions must also be considered--such as geography (state), agency size, licensure status (hospital-based or freestanding) and size. Only through such assessment can policy makers conclude whether Medicare reimbursement methodologies are adequate to assure both access and quality for Medicare beneficiaries.

Another issue that arises with averages is which HHAs to include in determining the statistic of interest. The obvious answer would seem to be that all HHAs should be included. But, HHAs fall into two broad groups, each with somewhat different accounting issues, as follows:

1. Hospital-Based HHAs. These HHAs are part of larger hospital organizations, and are required to allocate shared costs between the hospital and home health operations. This allocation of overhead causes some to believe that the costs reported for hospital-based HHAs are inaccurate, when, in fact, the cost structures are simply different.[1]
2. Freestanding HHAs. These HHAs are not part of a hospital entity. Therefore, establishing the cost of services is less complex.[2]

About three-quarters of Medicare payments are paid to freestanding HHAs. So, the traditional focus on freestanding HHAs does represent the large majority but by no means all Medicare payments. Hospital-based HHAs total 1,618 nationwide, comprising about 20% of all HHAs in 2005. However, in certain locations, hospital-based HHAs are the primary HHAs available to Medicare beneficiaries.[3] In those areas where hospital-based HHAs are the majority of providers, the traditional focus on Medicare margins of freestanding HHAs can provide a misleading assessment of the financial health of the HHAs.

Table 1 summarizes Medicare margins at the national level using each of the concepts discussed above for 2004. The most commonly-used Medicare margin--the revenue-weighted average for freestanding HHAs--was 20.1 %.

The agency-weighted average margin across freestanding agencies is significantly smaller at 12.5%.[4] The median margin for freestanding HHAs was 18.2%, so half of all home health agencies had Medicare margins below 18.2% and half had margins above.

---

1 The methodology used for allocating costs between the hospital and the hospital-based HHA has been established by Medicare and is documented in the Medicare cost report for each hospital. These cost allocations are subject to review and testing as a part of the audit of the individual hospital's cost report by the Fiscal Intermediary.

2 The Medicare margins of these agencies are determined through the Medicare cost report. These cost reports have not been subject to audits since the initiation of the prospective payment system in 2000.

3 For example, in Oregon, South Dakota, Montana, and North Dakota, the majority of HHAs are hospital-based--58.3%, 60.5%, 63.2%, and 65.4% respectively.

4 The Medicare Payment Advisory Commission, in its March 2006 report, estimated the average Medicare margin for 2004 at 16.0% compared to PwC's estimate of 20.1% in Table 1. The lower MedPAC number is probably due to a number of factors including differences in accounting periods and differences in the way that "outliers" are defined and removed from the data. If the estimates in this report could have been computed using data and methods identical with the March 2006 MedPAC report, many, if not most of the revenue margins presented in this report would likely have been lower.

The margins in hospital-based agencies were negative, meaning that costs exceeded revenues for Medicare patients. The average margin was minus (-) 5.4% if revenue-weighted and minus (-) 14.5% if weighted across HHAs. Half of all hospital-based agencies had losses 6.2% or greater. Across all HHAs, the revenue-weighted average was 14.0%, the agency-weighted average was 4.3%, and the median was 12.9%.

Table 1
Average Medicare Margins: National Summary Statistics (2004)

	Freestanding	Hospital Based	All Agencies
Revenue-Weighted Average	20.1%	-5.4%	14.0%
Agency-Weighed Average	12.5%	-14.5%	4.3%
Median	18.2%	-6.2%	12.9%

Source: Medicare cost reports data, 2004.

The fact that the national margin calculations using these different concepts are not in agreement indicates that the national averages are not representative of the financial performance of all HHAs. The next section presents a more detailed picture of the financial status of HHAs by geographical region, by size, and by type.

Variations in Margins

The national statistics, such as those presented in Table 1, are useful but only present one measure of Medicare margins. The national averages vary significantly between one measure and another because the underlying margins vary considerably across HHAs. Table 2 below provides a window into the wide variation in Medicare margins across HHAs in 2004. For freestanding HHAs, more than 30% had Medicare margins of 25% or greater. This group will tend to dominate industry statistics, concealing the fact that almost 20% of freestanding home health agencies experienced operating losses on Medicare patients.

For hospital-based HHAs, almost 60% experienced losses on Medicare patients. At the other extreme, about 9% of hospital-based HHAs had Medicare margins greater than 25%. Combing both freestanding and hospital-based HHAs, about one-third of HHAs had negative returns (31.7%) and a quarter had returns over 25% (27.4%).

Table 2
Distribution of HHA Medicare Margins

	Freestanding	Hospital-based
Agency-Weighted Average	12.5%	-14.5%
Size of Medicare Margin:		
Less than Zero	19.5%	59.4%
0% to 5%	5.5%	8.4%
5% to 10%	8.5%	7.6%
10% to 15%	9.6%	5.4%
15% to 20%	10.2%	6.1%
20% to 25%	11.0%	4.1%
Greater than 25%	35.6%	8.9%
Total	100.0%	100.0%

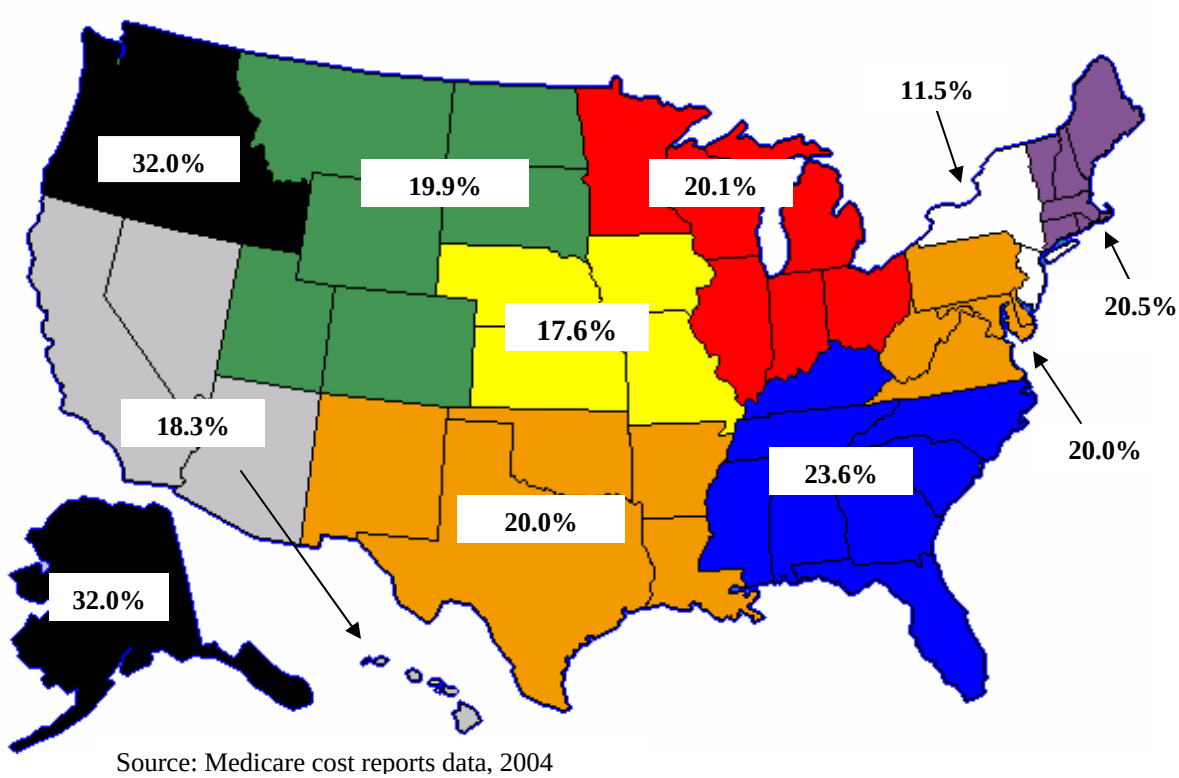
Source: Medicare cost reports data, 2004

The wide range of the margins for both freestanding and hospital-based HHAs indicates that reliance on national averages cannot adequately assess the financial performance of all HHAs. A single Medicare margin accurately describes the margin available in the system only if excess margins at some HHAs, which have above-average margins, are conceptually transferred to other HHAs, which have below-average margins (or losses). In reality, each HHA must earn an adequate return in order to maintain its level of services. An average margin fails to show that for many HHAs--almost 20% of freestanding HHAs and 60% of hospital-based HHAs--Medicare revenues do not cover the cost of caring for Medicare patients.

The variation is particularly important when it applies to geographic areas. If margins are low in an entire geographic area, then Medicare beneficiaries in that area may not be able to access services today, or in the future, if losses lead to closing of HHAs. Figure 1 shows Medicare margins by geographic area for freestanding HHAs. The revenue-weighted average Medicare margins for freestanding HHAs are nearly three times higher in Region 10 (32.0%), which includes the Pacific Northwest, compared to Region 2 (11.5%), which includes New York State.[5]

[5] The variation in the agency-weighted average Medicare margin across freestanding HHAs (which are not shown in Figure 1) is even larger. The agency-weighted average Medicare margin in Region 10 is 33.2% while the average in Region 2 is only 2.1%.

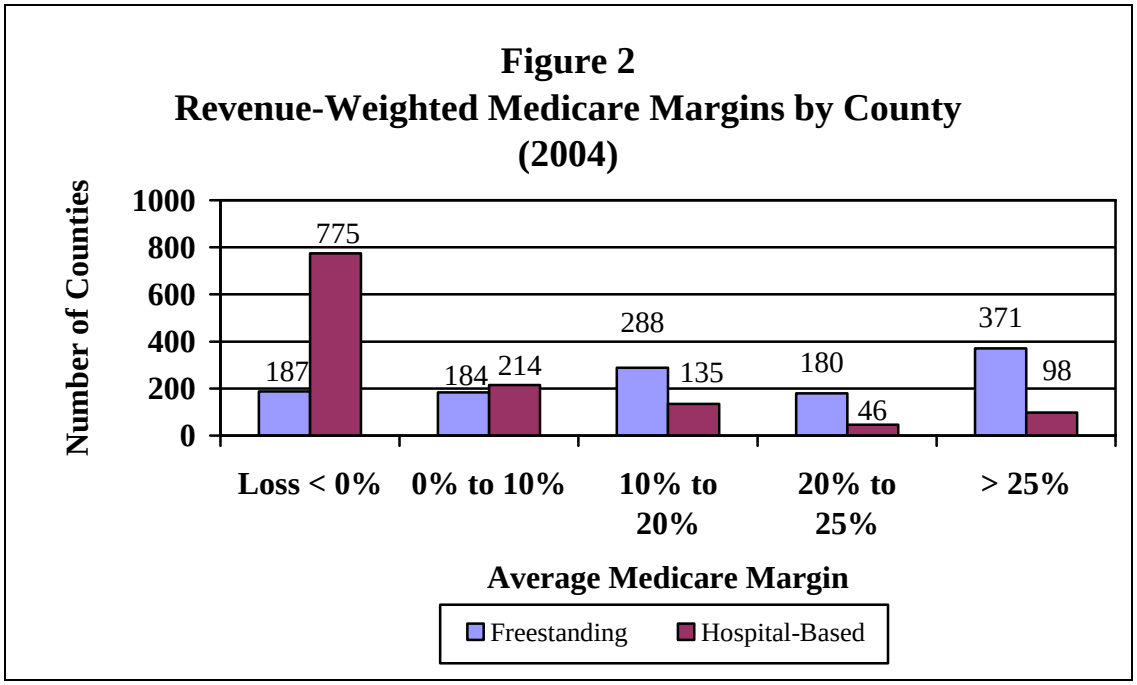
Figure 1
Revenue-Weighted Average Medicare Margins
For Freestanding HHAs by CMS Regions (2004)



Source: Medicare cost reports data, 2004

Margins show even greater variability when hospital-based HHAs are evaluated in combination with freestanding HHAs. The revenue-weighted Medicare margins across both hospital-based and freestanding HHAs range from negative Medicare margin (loss) of 92.0% for hospital-based HHAs in the District of Columbia to a positive Medicare margin of 37.6% for freestanding HHAs in Washington State. State-level Medicare margins are shown in Appendix B.

The variability of margins by CMS region or state still does not fully illustrate how adjustments to the margins could affect the HHAs. Figure 2 shows variation in revenue-weighted Medicare margins for HHAs by county. In 187 counties, or 15% of counties with freestanding HHAs, revenue-weighted Medicare margins for freestanding HHAs were less than zero, indicating losses on average. Another 184 counties had average margins that were less than half the national average. Hospital-based HHAs had negative revenue-weighted Medicare margins in 775 counties, or 61% of counties with hospital-based HHAs.



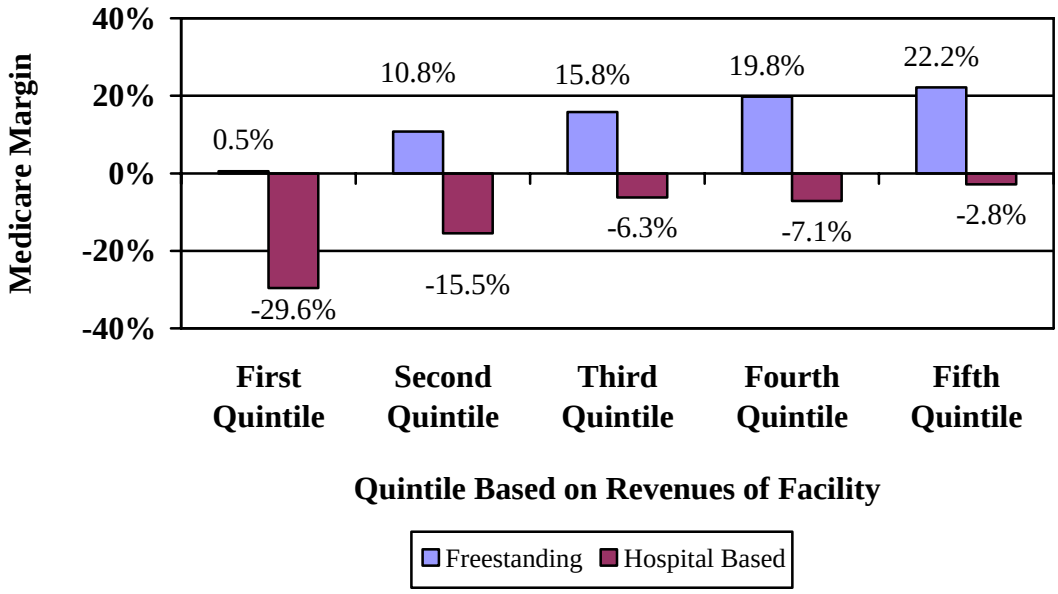
Note: Some counties do not have HHAs so the sum for each category does not equal the total number of U.S. counties.

Source: Tabulation of 2004 Medicare cost reports.

Medicare margins also vary by size of agency, as shown by Figure 3 below.

Freestanding HHAs were divided into five groups with equal numbers of HHAs based on their total Medicare revenues. The group labeled "First Quintile" has the HHAs with the lowest revenues per agency and the group labeled; "Fifth Quintile" has the HHAs with the highest level of revenues. The revenue-weighted margin varies from less than 1.0% for the smallest fifth of freestanding agencies to more than 22% for the largest fifth of freestanding agencies. The revenue-weighted average Medicare margin of 20.1% is typical of the top two-fifths of agencies but does not represent the situation for the other three-fifths of freestanding HHAs. Of course, large freestanding HHAs get most of the weight in the revenue-weighted average Medicare margin. The lower agency-weighted average gives equal weight to each agency.

Figure 3
Revenue-Weighted Medicare Margins by Revenues (2004)



Source: Medicare cost reports data, 2004

Definition of Ranges for Quintiles	HHA Revenues (in 1,000s) Freestanding	Hospital-Based
First Quintile	$1 to $277	$1 to $258
Second Quintile	$278 to $674	$259 to $541
Third Quintile	$675 to $1,321	$542 to $993
Fourth Quintile	$1,322 to $2,579	$994 to $1,925
Fifth Quintile	$2,583 and over	$1,926 and over

Hospital-based HHAs, as shown by the second in each pair of bars, have negative margins (losses) in every quintile. Hospital-based agencies, however, do exhibit the same general pattern compared to freestanding agencies. Hospital-based agencies with higher volumes have higher Medicare margins (smaller losses) compared to those with lower Medicare volumes.

Overall Margins Including Non-Medicare Revenues

Medicare margins, despite their complexity and diversity, are only one of many factors that have to be considered when assessing the financial status of home health agencies. Overall margins on all patients, including Medicare, Medicaid, and private patients, determine whether a home health agency is financially viable. Medicare is typically the

high-margin payer in the home health sector and revenues from Medicare typically offset losses on Medicaid and other business. Accordingly, it is important to consider overall financial margins in assessing the impact on access caused by any changes in any payer source.[6]

PricewaterhouseCoopers analyzed the overall margins on total patient revenues for freestanding HHAs and found them to be significantly lower than those for Medicare patients. As shown in Table 3, the revenue-weighted overall margin was 5.0% compared to 20.1% for Medicare in 2004.

Table 3
Overall Revenue-Weighted Margins (2004)
(Freestanding Home Health Agencies)

	Overall	Medicare
Revenue-Weighted Average	5.0%	20.1%
Agency-Weighted Average	1.5%	12.5%
Median	5.3%	18.2%

Source: Medicare cost reports data, 2004.

In fact, the revenue-weighted margin for non-Medicare patient care was negative (loss of) 5.4% (not shown in Table 3). The average freestanding agency-weighted margin was only 1.5% compared to 12.5% agency-weighted Medicare margin. The overall margin in Region 2, which includes New York, was negative no matter which measure is calculated (not shown in Table 3). HHAs rely on Medicare not just for 38 percent of revenues but also to offset low or negative margins from Medicaid and self-pay patients.[7]

Conclusion and Summary

Before 1998, Medicare home health services were paid on a cost basis. The Balanced Budget Act of 1997 instituted a new payment system for HHAs that included not only large reductions in payments to HHAs, but also a transition to a new system that was based on a fixed price for each episode of care. Although the reimbursement rates for

[6] Although MedPAC includes consideration of overall margins in its analysis of hospital payment rates, it does not consider home health agency overall margins in its home health agency services evaluation.

[7] Hospital-based HHAs are excluded from the above overall margin analysis due to a lack of cost report data separating the non-home care revenues from those needed to determine an overall home care margin.

each episode were adjusted for severity as well as for local prices, this new system allows for very large differences in average payment rates relative to costs between different types of HHAs, between different geographic areas, and between different types of patients.

The findings in this study show that Medicare margins have considerable variation by geography, by the size of the agency, and by agency type. A single summary statistic, which excludes the hospital-based HHAs, such as the national revenue-weighted average Medicare margin published by the Medicare Payment Advisory Commission (MedPAC), fails to portray the range of Medicare margins or represent the Medicare margin for any given agency. As a result, the impact of changes in Medicare payment rates on the financial performance of home health agencies and access to care cannot be adequately assessed by reference to changes in a national average margin. Recognizing the local nature of the provision of health services, analysis of financial performance and access to care should consider the universe of available home health agencies because all types and sizes of agencies do not serve all areas. In addition, stability in access to care is dictated by both Medicare financial outcomes and the financial outcome from all payer sources, requiring an understanding of the overall financial performance of home health agencies.

PRICEWATERHOUSECOOPERS

Appendix A
Validation Procedures Applied to NAHC Data

The analyses in this report were based on tabulations of the Medicare cost report data, which National Association for Home and Hospice Care (NAHC) provided PricewaterhouseCoopers. PricewaterhouseCoopers undertook steps to test the data, calculation methods, and output from NAHC before reporting the statistics that are shown in this report. A detail download of Medicare and Overall margin data by individual Home Health Agency (HHA) was requested from NAHC. This Appendix describes the steps taken to test this data as well as the methods used to calculate margins.

Data Provided by NAHC to PWC

NAHC has compiled databases of hospital-based and freestanding Home Health Agencies (HHAs) FY2004 Medicare cost report detail data elements. NAHC ran various queries against this database to produce detailed and summary margin tables of the home health industry. NAHC provided PricewaterhouseCoopers with data cross-walk tables from the HHA Medicare cost report to the NAHC HHA cost report database, as well as a summary of the process used to populate the databases.

In order to test and validate independently, PricewaterhouseCoopers requested and received a detail download of all relevant margin data for individual HHAs. NAHC provided PwC with file downloads by provider that included all the required data elements necessary to replicate the various Medicare and overall margin tables, which appear in this report.

NAHC provided a detail download in Excel format consisting of 5,349 HHA facilities with valid FY2004 Medicare margin data. The download contained the following data elements for each facility:

1. Provider Name
2. Provider Number
3. State
4. Region
5. Agency Type (Free Standing or Hospital-based)
6. Geographic Designation (Rural or Urban)
7. Total Medicare Payments
8. Total Medicare Costs (Fully Allocated)
9. Total Medicare Visit

NAHC also provided a detail download in Excel format consisting of 3,097 HHA facilities with valid FY2004 Overall margin data. The download contained the following data elements for each facility:

1. Provider Name
2. Provider Number
3. State
4. Region
5. Total Patient Revenue
6. Discounts or Allowances
7. Net Income
8. Other Income

Sampling & Recalculations of NAHC Data Elements

PricewaterhouseCoopers conducted a number of steps to test the data, the margin calculation methodologies, and accuracy of the tables, which were provided by NAHC and used by PwC in the above report.

Utilizing the detail data downloads described above, PwC recalculated the key margin statistics such as individual HHA agency Medicare margins and total margins, combined HHAs revenue-weighted margin and combined HHAs agency-weighted margin. These margins were compared with those generated in NAHC's summary margin tables. PricewaterhouseCoopers found that the recalculations matched the summary Medicare margin tables provided by NAHC.

PwC compared a sample of individual data elements in the NAHC database to original cost reports and third-party sources to confirm NAHC data validity. Specifically, PwC requested copies of actual FY2004 Medicare cost from 15 freestanding HHAs, which were judgmentally selected over a range of HHAs with respect to Medicare volume, ownership, and geography. PwC traced the data elements 'Total Medicare Payments', 'Total Medicare Costs', and 'Total Medicare Visits' from the Medicare Cost Report for the 15 selected Freestanding Agencies to the corresponding data elements in the NAHC download. Total Medicare Payments and Costs were in the NAHC download were in agreement to the data from the Medicare Cost Reports. PwC noted one facility had a different visit number. Further research found that the HHA in question had a data entry error and the NAHC data tied to the facilities Medicare Provider Statistical and Reimbursement (PS&R) data. Otherwise, all 15 agencies' cost reports were received, tested, and found to agree.

PwC queried specific cost report data elements from Solucient Inc. on-line data service for a sample of hospital-based HHA, were once again were judgmentally selected over

a range of HHAs with respect to Medicare volume, ownership, and geography.[8] We traced the data elements 'Total Medicare HHA Visits' and 'Fully Allocated Costs' from the NAHC download and compared to the same data elements in the data provided by Solucient. For Hospital-based facilities, these were they only two data elements available from Solucient for comparison to the NAHC detail data downloads. No material discrepancies were found.

Verification of Definitions and Formulas

PwC verified NAHC's definitions and formulas for the following data elements used in calculating the various margins referenced in this report.

Total Medicare Payments: Payments taken directly from the Medicare Cost Report which represent the PS&R payments under the PPS system.

Total Costs: Costs reported on the Medicare Cost Report that have been fully allocated from general service cost centers into the ancillary areas.

Total Medicare Costs: Represent total costs adjusted by the Medicare utilization percentage.

Revenue-Weighted Average Profit Margin: Derived by taking the difference in Total Medicare Payments and Total Medicare Costs and dividing by the Total Medicare Payments.

Agency-Weighted Average Profit Margin: Derived by taking the sum of the Weighted Average Profit Margins for each agency and dividing that sum by the total count of facilities.

Net Patient Revenue: Total Patient Revenue (all payers) net of any allowances or discounts.

Net Income: Net Patient Revenue net of total operating cost and other income.

Overall Profit Margin: Derived by taking the Net Income less Other Income and dividing by Net Patient Revenue.

Recalculations of Key NAHC Summary Statistics

PwC analyzed six margin tables prepared by NAHC for inclusion in the report for reasonableness and process accuracy. With data elements from the data download, the revenue-weighted average profit margin was computed for each home health agency.

[8] Solucient Inc. is a health care information company. Solucient maintains the industry's largest health care data warehouse. Solucient collects data from a variety of industry sources that include hospitals, managed care and insurance companies, federal and state governments, clinics, physician's offices, and patients.

The above data was sorted in Excel, first by Region and then by Agency Type, to align it with a summary table, which showed the distribution of margins by Geographic Region by quartiles. The quartiles used by NAHC are at the 25% position, 50% or median position, and 75% position. PwC calculated where the quartile position should be based on the NAHC data. Each region's percentages were compared by "All Facilities", "Stand Alone", and "Hospital-based." Below are summary tables queried from the NAHC databases and provided to PwC. PwC compared and tested each against the detail downloads of margin data for individual HHAs.

1. Medicare Margins Summary Stats <in Table 1>
2. Medicare Margins by Quintile <in Figure 3 graph>
3. Medicare Margins by CMS Region <in Figure 1 map>
4. Medicare Margins by Margin Size <in Figure A and Table 2>
5. Medicare Margins by Quartile/CMS Region
6. Medicare Revenue & Facilities by CMS Region
7. Medicare Revenue by Quintile
8. Medicare Revenue & Facilities by Margin Size
9. Medicare Margins by Congressional District
10. Medicare Margins by County <In Figure 2 graph>
11. Revenue & Facilities General Summary
12. Margins Summary (free-standing) <in Table 3>
13. Overall Margins Summary Stats (free-standing)
14. Overall Margins by Rural/Urban & Margin Size (free-standing)
15. Overall Margins by CMS Region (free-standing)
16. Overall Margins by Quintile (free-standing)

Findings

The limited procedures performed on the data provided by NAHC indicate that the extraction processes for specific data elements from the overall data base and the methodology used for calculated the summary data presented in this report are adequate. No conclusion can be drawn regarding the completeness of the underlying database or the accuracy of information as reported in the cost reports of the individual HHAs.

Appendix B

Revenue-Weighted Average Medicare Margins by State

	Freestanding	Hospital-Based	All	Overall Margin Freestanding Only
Alaska	34.1%	-46.9%	-18.4%	28.2%
Alabama	19.7%	10.6%	16.5%	4.0%
Arkansas	12.8%	2.0%	6.6%	-31.7%
Arizona	30.4%	-21.6%	9.6%	4.1%
California	14.9%	-13.8%	-2.7%	5.2%
Colorado	22.5%	-23.4%	16.0%	7.0%
Connecticut	22.2%	-14.6%	18.7%	-0.6%
District of Columbia	17.7%	-92.0%	6.7%	-0.3%
Delaware	23.2%	-4.5%	14.8%	-13.5%
Florida	24.7%	-7.8%	20.6%	12.4%
Georgia	23.4%	0.8%	17.5%	-4.6%
Hawaii	3.3%	1.8%	2.5%	-5.7%
Iowa	17.5%	-7.8%	5.1%	-8.9%
Idaho	23.5%	-25.5%	-23.2%	13.6%
Illinois	23.4%	3.5%	17.4%	-0.9%
Indiana	19.5%	-8.0%	9.8%	3.5%
Kansas	21.8%	-7.9%	11.8%	2.4%
Kentucky	21.3%	0.0%	12.3%	3.6%
Louisiana	26.0%	-7.4%	24.7%	15.8%
Massachusetts	22.7%	-4.1%	18.9%	7.2%
Maryland	15.3%	-28.7%	9.4%	-1.0%
Maine	9.7%	-20.5%	7.2%	-8.7%
Michigan	18.6%	9.2%	16.3%	6.0%
Minnesota	25.0%	-9.5%	12.1%	-1.1%
Missouri	17.1%	-1.3%	11.8%	3.9%
Mississippi	17.8%	-12.1%	12.7%	-13.5%
Montana	18.8%	-5.8%	8.3%	3.0%
North Carolina	27.7%	4.4%	22.6%	3.6%
North Dakota	16.2%	-13.7%	-8.1%	-6.6%
Nebraska	7.3%	-26.7%	-14.1%	1.5%
New Hamphire	21.4%	18.7%	21.3%	-3.9%
New Jersey	16.2%	-9.9%	7.5%	0.9%
New Mexico	24.3%	-12.3%	15.7%	5.2%
Nevada	21.0%	-22.9%	2.5%	5.7%
New York	8.4%	-10.1%	4.2%	0.1%
Ohio	24.4%	-0.2%	17.6%	4.9%
Oklahoma	15.3%	-11.2%	9.6%	6.8%
Oregon	16.0%	-30.5%	-23.3%	-13.2%
Pennsylvania	22.3%	-0.8%	15.2%	3.2%
Puerto Rico	31.7%	4.8%	28.1%	21.4%
Rhode Island	16.4%	28.8%	18.7%	-4.3%
South Carolina	27.4%	0.7%	19.3%	4.8%
South Dakota	12.0%	-6.3%	-3.0%	-16.1%
Tennessee	21.4%	-2.7%	15.9%	6.1%
Texas	16.9%	-6.4%	14.8%	5.0%
Utah	18.9%	3.3%	17.7%	7.3%
Virginia	16.9%	-3.2%	8.5%	4.5%
Virgin Islands	-7.1%	0.0%	-7.1%	-10.2%
Vermont	15.2%	0.0%	15.2%	-7.2%
Washington	37.6%	-16.7%	4.3%	24.3%
Wisconsin	-1.4%	-25.6%	-5.6%	-1.2%
West Virginia	24.7%	0.0%	13.7%	13.1%
Wyoming	10.2%	-25.5%	-1.3%	3.7%

PRICEWATERHOUSECOOPERS

For Information Contact:

Jack Rodgers
Director, Health Policy Economics
1301 K Street NW
Washington, DC 20005
(202) 414-1646
jack.rodgers@us.pwc.com