Critical Revenue Growth Strategies for Home Health Agencies

NAHC Annual Conference
Nashville, TN
October 28, 2015
Session 102

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Background

• Revenue Initiatives White Paper
• Release Date: TBD
• Young Financial Professional Committee
• Chair: Aaron Little, Managing Director, BKD LLP
Cost Management White Paper

  - Payment Models
  - Back Office Cost Management
  - Streamlined Business Processes
  - Increase Productivity

Cost Management Results

- Gross Profit Margin
  - 2013 – 42%*
  - 2014 – 42%*
  - 2015 – 43%
- Net Profit Margin
  - 2013 – 3%*
  - 2014 – 6%*
  - 2015 – 6%*
- Indirect Costs
  - 2013 – 38%*
  - 2014 – 36%*
  - 2015 – 37%*

*Simione Financial Monitor Results 2015

• Agencies can’t cut costs anymore without sacrificing quality.
Objectives

• Gain an understanding of strategies to optimize the value of Medicare PPS episodic revenue.
• Understand potential affiliation strategies to increase revenue streams.
• Improvement of strategies to increase revenue by development and participation in the new payment model such as bundling and accountable care organization.

Optimizing PPS Revenue

➢ Understanding Case Mix Scoring
  ➢ Clinical Domain Scoring
  ➢ Functional Domain Scoring
  ➢ Therapy Utilization

➢ Strategies to Optimize Case Mix
  ➢ Coding/OASIS Review
  ➢ Episode Management
  ➢ Other
Understanding Case Mix Scoring

- Clinical Domain Score (C1, C2, C3)
- Functional Domain Score (F1, F2, F3)
- Service Domain Score (S1, S2, S3, S4, S5)
- 2015 Base rate = $2,961.38

<table>
<thead>
<tr>
<th>Case Mix Weight*</th>
<th>CY11</th>
<th>CY12</th>
<th>CY13</th>
<th>CY14</th>
<th>Chg CY11-12</th>
<th>Chg CY12-13</th>
<th>Chg CY13-14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Case Mix</td>
<td>1.316</td>
<td>1.362</td>
<td>1.392</td>
<td>1.056</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adj for 2014 Rebasing</td>
<td>0.974</td>
<td>1.008</td>
<td>1.030</td>
<td>1.060</td>
<td>3.5%</td>
<td>2.2%</td>
<td>2.9%</td>
</tr>
</tbody>
</table>

*Source: Strategic Health Partners

Understanding Case Mix Scoring

- Clinical Domain Scoring
  - 13 OASIS items that impact scoring
  - $704.63 impact from C1 – C3

<table>
<thead>
<tr>
<th>Domain Score</th>
<th>Avg. Case Mix Weight</th>
<th>Difference</th>
<th>Avg. Reimb</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>C1</td>
<td>1.161</td>
<td></td>
<td>$3,436.83</td>
<td></td>
</tr>
<tr>
<td>C2</td>
<td>1.241</td>
<td>7.0%</td>
<td>$3,676.38</td>
<td>$239.55</td>
</tr>
<tr>
<td>C3</td>
<td>1.398</td>
<td>12.7%</td>
<td>$4,141.46</td>
<td>$465.08</td>
</tr>
</tbody>
</table>
Understanding Case Mix Scoring

- Functional Domain Scoring
  - Six OASIS items that impact scoring
  - Activities of Daily Living (ADL) questions
  - $428.21 impact from F1 – F3

<table>
<thead>
<tr>
<th>Domain Score</th>
<th>Avg. Case Mix Weight</th>
<th>Difference</th>
<th>Avg. Reimb</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>F1</td>
<td>1.200</td>
<td></td>
<td>$3,552.27</td>
<td></td>
</tr>
<tr>
<td>F2</td>
<td>1.257</td>
<td>4.8%</td>
<td>$3,721.90</td>
<td>$169.63</td>
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<tr>
<td>F3</td>
<td>1.344</td>
<td>6.9%</td>
<td>$3,980.48</td>
<td>$258.58</td>
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</table>

Clinical/Functional Scoring Trends

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>C1</td>
<td>17.4%</td>
<td>24.2%</td>
<td>25.1%</td>
<td>25.4%</td>
<td>38.9%</td>
<td>3.5%</td>
<td>1.4%</td>
</tr>
<tr>
<td>C2</td>
<td>35.9%</td>
<td>33.8%</td>
<td>33.8%</td>
<td>33.6%</td>
<td>-5.8%</td>
<td>-0.1%</td>
<td>-0.5%</td>
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<tr>
<td>C3</td>
<td>46.6%</td>
<td>42.0%</td>
<td>41.2%</td>
<td>41.0%</td>
<td>-10.0%</td>
<td>-1.9%</td>
<td>-0.4%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>F1</td>
<td>23.6%</td>
<td>19.3%</td>
<td>16.0%</td>
<td>12.5%</td>
<td>-18.2%</td>
<td>-17.3%</td>
<td>-21.8%</td>
</tr>
<tr>
<td>F2</td>
<td>55.1%</td>
<td>57.9%</td>
<td>58.9%</td>
<td>60.1%</td>
<td>5.0%</td>
<td>1.8%</td>
<td>1.9%</td>
</tr>
<tr>
<td>F3</td>
<td>21.3%</td>
<td>22.8%</td>
<td>25.0%</td>
<td>27.4%</td>
<td>7.2%</td>
<td>10.0%</td>
<td>9.4%</td>
</tr>
</tbody>
</table>

*Source: Strategic Health Partners
Understanding Case Mix Scoring

- Service Domain Score
- Based on therapy utilization

<table>
<thead>
<tr>
<th>Therapy Count</th>
<th>Avg. Case Mix</th>
<th>Difference</th>
<th>Avg. Reimb</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 to 5 Therapy Visits</td>
<td>0.685</td>
<td></td>
<td>$ 2,029.04</td>
<td></td>
</tr>
<tr>
<td>6 Therapy Visits</td>
<td>0.832</td>
<td>21.4%</td>
<td>$ 2,463.24</td>
<td>$ 434.20</td>
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<tr>
<td>7 to 9 Therapy Visits</td>
<td>0.978</td>
<td>17.6%</td>
<td>$ 2,897.46</td>
<td>$ 434.22</td>
</tr>
<tr>
<td>10 Therapy Visits</td>
<td>1.125</td>
<td>15.0%</td>
<td>$ 3,331.63</td>
<td>$ 434.17</td>
</tr>
<tr>
<td>11 to 13 Therapy Visits</td>
<td>1.272</td>
<td>13.0%</td>
<td>$ 3,765.81</td>
<td>$ 434.17</td>
</tr>
<tr>
<td>14 to 15 Therapy Visits</td>
<td>1.418</td>
<td>11.5%</td>
<td>$ 4,200.03</td>
<td>$ 434.22</td>
</tr>
<tr>
<td>16 to 17 Therapy Visits</td>
<td>1.621</td>
<td>14.3%</td>
<td>$ 4,800.22</td>
<td>$ 600.19</td>
</tr>
<tr>
<td>18 to 19 Therapy Visits</td>
<td>1.824</td>
<td>12.5%</td>
<td>$ 5,400.45</td>
<td>$ 600.24</td>
</tr>
<tr>
<td>20+ Therapy Visits</td>
<td>2.026</td>
<td>11.1%</td>
<td>$ 6,000.64</td>
<td>$ 600.19</td>
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</tbody>
</table>

Therapy Utilization Trends

<table>
<thead>
<tr>
<th>Therapy Group</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-5</td>
<td>52.9%</td>
</tr>
<tr>
<td>6</td>
<td>4.0%</td>
</tr>
<tr>
<td>7-9</td>
<td>11.9%</td>
</tr>
<tr>
<td>10</td>
<td>3.3%</td>
</tr>
<tr>
<td>11-13</td>
<td>9.6%</td>
</tr>
<tr>
<td>14-15</td>
<td>4.5%</td>
</tr>
<tr>
<td>16-17</td>
<td>4.8%</td>
</tr>
<tr>
<td>18-19</td>
<td>3.1%</td>
</tr>
<tr>
<td>20+</td>
<td>5.9%</td>
</tr>
</tbody>
</table>

Source: CY2015 home health Final Rule (CY2013 claims)
Strategies to Optimize Case Mix

➢ Coding/OASIS Review
  ➢ Define Process
  ➢ Comprehensive Review
  ➢ Certified Coders
  ➢ Certified OASIS Specialist

Strategies to Optimize Case Mix

➢ Episode Management
  ➢ LUPA Management
  ➢ Therapy Optimization
  ➢ Recertification
  ➢ Front Loading

<table>
<thead>
<tr>
<th>Visits</th>
<th>Avg. Reimb</th>
<th>Difference From Avg. LUPA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$159.98</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>$258.07</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>$358.13</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>$469.74</td>
<td></td>
</tr>
<tr>
<td>Overall LUPA</td>
<td>$328.06</td>
<td></td>
</tr>
</tbody>
</table>

Source: Community Health Systems Homecare Agencies, CY2014 episodes
Other Strategies to Optimize Case Mix

- Contracting
  - Episodic vs. FFS
- Analysis
  - Relating OASIS scores to utilization
- OASIS Reviews
  - OASIS “Scrubber”
  - Outsourcing Coding/OASIS Reviews
Align Providers
Development of Regional & System Governance:
The Organized System of Care

CURRENT STATE:
A YEAR IN THE LIFE OF A PATIENT

5 Hospital Admissions
6 Community Referrals
6 Social Workers
2 Home Care Agencies
4 Occupational Therapists
5 Physical Therapists
22 Meds
37 Nurses
19 Clinic Visits
5 Months of Home Care
6 Weeks SNF Care
16 Physicians
2 Nursing Homes

Source: Johns Hopkins, RWJ 2010 (G Anderson)
Overall Goals

• Changing Healthcare Environment
  • Quality Care
  • Improved Outcomes
  • Population Health Management
  • Cost Efficient Care
  • Financial Stability

Process in Developing Affiliation

• Create a Strategic Business Plan
• Internal Evaluation
• External Evaluation
• Transition
Strategic Planning

- Who should be involved
  - Executive Leadership
  - Board of Directors
  - Ownership
- Should be done every year
- Outside facilitator
- Keep it simple
  - 3-5 Objectives
- Long term/short term goals
- Determine capital/financing required

Internal Evaluation

1. Mission
2. Quality
  - Star Rating
  - Home Health Compare
  - OBQI Reports
  - Re-hospitalization rates
3. Reputation in the Community
  - Fundraising
  - Community Service
  - Patient Satisfaction
3. Compliance
  - OASIS Documentation
  - Susceptible to State or Federal Audit
Internal Evaluation

4. Financial Stability
   • Profitability
   • Cash Flow
   • Cost Efficiencies
   • Capital

5. Technology
   • Documentation
   • Utilization
   • Reporting
   • Data Transparency

6. Market Share
   • Payer Mix
   • Referral Management
   • Intake Processes

External Evaluation

• What do I need to know about potential affiliations?
  • What’s available?
    • Hospitals
    • Skilled Nursing Facility
    • Assisted Living Facility
    • Rehab Facility
    • Physicians Group
    • Managed Care Organization
    • Other Home Health & Hospice

• Geography
  • Service Area
  • Payer Mix
External Evaluation

• What do I need to know about potential affiliations?
  • Patients are a priority!
    • Population Health Management
    • Patient Care Management
  • Quality
    • Outcome Scores
    • Reputation in the Community
    • Patient Satisfaction Scores
    • Star Rating
  • Financial Stability
  • Vision of future healthcare delivery model
  • Bundled/Risk payment/Value Based Purchasing

External Evaluation

• What do I need to know about potential affiliations?
  • Utilization of Home Care & Hospice services
    • Patient Coordination
    • Referral/Intake Processes
    • Goals/Measurements
  • Back Office Operational Management
    • Management
    • Information Technology
    • Billing/Finance
    • Accounting
    • Intake
  • Managed Care Negotiations
Advantages

- Geographic Expansion
- Financial Stability
- Increase in admission from affiliation
- Shared back office costs
- Improved Managed Care rates
- Bundled Payments

Disadvantages

- Back office understanding of Home Health operations (billing, intake, information technology)
- Unrealistic measurements and targets
- Increase in non Medicare patients
- Cost allocations
- Technology Integration
- Risk/Bundled payment
Post Affiliation – Transition

- Market Alignment vs Misalignment
  - Agency losing touch with its patients
- Management & Staff
  - Long term vision
  - Orientation, Training and Education
- Model & Processes
  - Outgrowing your model and processes
- Money
  - Outgrowing your money
- Momentum
  - Move forward as one team!

Affiliation Options

- Affiliate
- Merger/Acquisition with another Home Health or Hospice
- Diversification of Services (Hospice, Private Duty, etc)
  - Other Community Services
- Joint Venture
- Outsourced Management Function
The future of home care

Medicare/Government
Healthcare costs continue to increase

18% of US GDP is healthcare spending

-Brookings Institution Health Policy Issue Brief, April 2014
HCPLAN

Health Care Payment Learning and Action Network
What is HCPLAN?

- Department of Health & Human Services payment reform initiative
- Cross-disciplinary:
  - Hospitals
  - Home health
  - Hospice
  - Doctors
- Ties 90% of ALL Medicare payments to quality or value by 2018

How do you plan for HCPLAN?

- Quality and value are key – how will the government measure it?
  - It’s been happening for years with Home Health Compare
  - It was enhanced with HHCAHPS
  - It’s being tweaked with HHC star ratings
  - It’s being enforced and monitored by connecting the OASIS system with the payment system
- Do you know your quality scores right now?
  - Can you break them down on a clinician basis?
Private Insurance

Increasing Managed Care Presence

- Increased pressure on payers to decrease costs across the board
  - Driven by shareholder ROI demands and M&A landscape
- ACA cap on earnings is driving insurance companies to find ways to increase their revenues by decreasing overall costs to beneficiaries – especially those who are outside of ACA plans
“Insurers, for their part, are trying to forge complex contracts with health-care providers that involve new forms of payment—arrangements that hospital systems aren’t likely to entertain unless an insurer covers a lot of their patients.”

June 16, 2015
“[Humana] is seen as a prize because of its powerful Medicare franchise, which is growing rapidly as baby boomers age into eligibility and opt for these plans, known as Medicare Advantage.”

June 16, 2015

- Move 75% of patients to Humana-driven ACOs by 2017
- Working on programs to improve the cost of their health populations inside these ACOs by providing services like meals on wheels at no cost to beneficiaries
Three Weaknesses of the current system:

1. The fee-for-service payments that reward providers for the volume and intensity of services delivered irrespective of quality or efficiency
2. A fragmented delivery system that inhibits care coordination across providers and care settings
3. Innovative approaches to care that rely on new lower-cost sites of treatment or wireless services that are not compensated in traditional payment systems.

The most promising payment reforms, dampen the financial incentives for providers to deliver more care and reward providers when they focus on the efficient delivery of services that improve patient health.
How do we break down silos?

Collaborative Approach

- Tandem365 is a joint venture between multiple SNFs, ALFs, EMS services, and home health care providers to improve members’ health and decrease overall healthcare costs.
- There is no homebound requirement.
- They provide the full gamut of services provided by their member organizations as well as a healthcare navigator, telehealth, and meal services
The App Economy

“Enter Apple. The most important health company in the world.”
-Forbes, June 16, 2015
Perhaps the most profound change and positive impact that iPhone will make is on our health.

Health may be the biggest frontier of all for Apple.
How will the tech industry transform home care?

- Healthcare will become more personalized and user controlled
- People will use apps on their phones and other smart devices to get information where it needs to go.
It’s already starting

How can you participate?

- With HealthKit and now ResearchKit, Apple is already putting in place the rails for thousands of innovators to build on and enabling millions of health professionals and consumers to contribute.

- iPhones can already help identify the severity of Parkinson’s Disease, COPD, gait and balance issues, and other disease processes.

-Forbes, June 16, 2015
In the first 24 hours of ResearchKit, we’ve had 11,000 people sign up for a study on cardiovascular health through Stanford University’s app. It normally would take 50 research institutions a year to sign up that many participants.

Which current app models will influence home care?

yelp

UBER

Quora

HealthKit

periscope
Questions?

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Beau Sorensen – bsorensen@fchhh.com