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Comprehensive Analysis of Medicare Data Provides Roadmap to Savings in Post-Acute Care

- Detailed examination of Medicare claims data reveals opportunities for improving efficiency, reducing costs through clinically appropriate home healthcare -

WASHINGTON, DC – The Alliance for Home Health Quality and Innovation (the Alliance) today released research revealing that when home healthcare is used as the first setting for post acute-care, Medicare spends less on average. The research presents MS-DRG 470 (major joint replacement) as an example of how use of home healthcare as the first post-acute care setting saves \$5,411 per patient when compared to the average Medicare post-acute care episode payment. The findings are being released from the first two Working Papers of the *Clinically Appropriate and Cost-Effective Placement (CACEP) Project*. These findings, among others in the papers, suggest that home healthcare is an efficient post-acute care provider, and that it can be leveraged to significantly reduce healthcare costs.

These introductory Working Papers show the frequency of services provided across care settings for similar clinical conditions. The papers also provide comparative baseline statistics for three key areas Medicare considers in its reimbursement methodology: episode frequency; patient diagnosis; and Medicare payments by episode types for Medicare Severity-Diagnosis Related Groups (MS-DRGs) and select chronic conditions. One highlight of the research is its depth in analyzing a five percent sample of Medicare beneficiaries using three years of Medicare claims and assessment data, providing a detailed snapshot of post-acute care, pre-acute care, and community-based care.

“In examining the beneficiary claims data, we identified consistent patterns in Medicare payment across multiple post-acute care settings that show where individuals seek care for clinical conditions, and how much the cost of care varies based on care setting,” stated Allen Dobson, Ph.D., CACEP lead researcher and President of Dobson DaVanzo & Associates, LLC. “The data provide unique insight into how home healthcare is being utilized in comparison to other sites of care and how Medicare payments compare across settings, which can be an invaluable tool in developing new Medicare payment policies.”

The CACEP Project examines home healthcare in the context of three distinct episode types – 60 days following hospital discharge (post-acute care), 60 days prior to hospital admission (pre-acute care) and nine-months following community-referred home health discharge (community based care) – to define home healthcare’s value in providing care to Medicare beneficiaries.

As an illustration, the study examines episodes that are initiated by an MS-DRG 470 hospital stay (as well as other top expenditure MS-DRGs) across all post-acute care settings. Medicare patients with similar clinical needs are receiving care for major joint replacements in multiple settings, including skilled nursing facilities (SNF), inpatient rehabilitation facilities (IRF) and long term care hospitals (LTCH), however the data show that the cost of providing care for the same condition varies greatly depending

on the site of care. While the average episode payment across settings for MS-DRG 470 is \$23,479, the average home health episode payment is \$5,411 lower than the overall average. Since many patients with any given MS-DRG can receive care in multiple settings, the data suggest that home healthcare can generate significant savings across multiple clinical conditions. While average Medicare episode payments largely vary across post-acute care settings by MS-DRG, home healthcare costs are consistently lower than those in other settings.

Across all MS-DRGs, where beneficiaries go to a formal care setting following an index hospital stay, nearly 40 percent of all Medicare post-acute care episodes use home healthcare as the first setting post-discharge. However the care in these episodes represent only 27.8 percent of post-acute care episode spending.

Within the pre-acute care episodes, the data indicate that 92 percent of episode payments are for hospital or physician services and that many of these patients have multiple chronic conditions. This indicates that there is great opportunity for investments that improve the way we manage patients with chronic conditions. Similarly, most community-based home healthcare providers serve patients with the most severe chronic conditions. These data suggest that chronically ill Medicare beneficiaries may be effectively and efficiently managed in the home health setting to prevent unnecessary hospitalizations.

“The CACEP project uses the Medicare program’s own claims and assessment data to describe the care provided to Medicare patients and how much it costs, particularly looking at post-acute, pre-acute and community-based care,” explained Teresa Lee, Executive Director of the Alliance. “These Working Papers contain information that will provide U.S. policy leaders with a comprehensive resource on Medicare payment and utilization to help inform decision-making on healthcare system reforms. As we seek to foster improved coordination of care and reduce cost, these data are critical. The data bears out what we have known for a long time - home healthcare can play a leading role in producing greater efficiency in care delivery and reducing overall healthcare spending.”

As policymakers and the broader healthcare community explore new models for healthcare delivery, the data presented in the Working Papers provide a unique perspective on how the clinically appropriate use of different care settings across the Medicare program can result in greater efficiency and reduced healthcare spending. This is especially relevant for policy-makers as they consider new payment approaches such as bundling and shared savings, in addition to long-term solutions for the management of chronic disease. “The numbers speak for themselves, and we hope that this project will pave the way for an increased emphasis on care models that increase efficiency and reduce Medicare spending,” added Dobson.

The CACEP project analyzes three years of beneficiary claims, including assessment data from post-acute care settings, from years 2007 to 2009. The comprehensive set of four Working Papers will culminate in the release of a final report in September, which will explore the future of the Medicare payment system and how home healthcare can help the Medicare program make care more effective and efficient.

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The Alliance for Home Health Quality and Innovation (the Alliance) is comprised of leaders in the home healthcare community – including several of the largest home healthcare providers in the United States and the largest national trade association representing home healthcare providers. The Alliance invests in research and education to further its mission of demonstrating and enhancing the value proposition home healthcare offers to the U.S. healthcare system and to patients in delivering quality, cost-effective, patient-centered care. The Alliance is dedicated to improving the nation’s healthcare system through development of high quality and innovative solutions aimed at achieving optimal clinical outcomes.