Home Healthcare Can Leverage Healthcare Savings to Sell into MCOs and Hospitals

By Richard Chesney

April 2018

"Patients who receive home health care after a hospital discharge are saving the health care system some serious dough, on average," according to a recent study published in the American Journal of Medicine (AJM) and discussed at length by Home Health Care News.

The study, conducted by the Cleveland Clinic Lerner College of Medicine of Case Western Reserve University, looked at 65,541 patients who were discharged from the hospital with self-care and 6,560 home health care patients over a 365-day-post-discharge period.

According to the study, the benefits were significant, including:

- Home health care was associated with an average unadjusted savings of $15,233 per patient, or $6,433 when adjusted for covariates.
- Home health care "independently decreased the hazard of follow-up readmission and death."
- Home health care was associated with significant savings and clinical benefits for certain groups, including digestive disease, heart and vascular, medicine, neurological and urology & kidney institutes.

Likely, this is no surprise to home health agencies who see the positive results of their efforts day in and day out with each patient. However, what this study demonstrates is that there is significant benefit for the healthcare system to more fully integrate home health care into the patient care process.

So, how can home health care agencies enhance hospital referrals and partner with managed care organizations? In addition to leveraging this study, home health agencies can prove their value through readmission metrics:

The Bottom Line

As shown in this study, data talks.

Sales efforts, regardless of the audience, need to focus on metrics to prove home health agencies value whether that is through cost savings, readmission reductions or against competitors.

When it comes to readmission penalties, 1996's *Jerry Maguire* has nothing on today's C-Suite. With 1% of hospitals at the maximum (3%) penalty, 55% of hospitals penalized in FY 2015 and a weighted average penalty of 0.63%, **there are real monies at risk**. Combine those numbers with the addition of two DRGs (Chronic Obstructive Pulmonary Disease and Joint Replacements) this year, and you've got the perfect setting for a Show Me the Money plot right in the C-Suite of your local hospital. Best of all, their financial pain is your opportunity gain. So, where to start?

Find the money trail

- Search Kaiser Health News to see if a specific hospital is being penalized and by how much.
- Use Hospital Compare to see how a specific hospital's re-admission rates stack up on the current 3 penalty DRG's.

Anticipate the money flow

Since penalty quartiles are essentially annually moving targets, you need to see what quartile your hospital account is in now. This can show, not only if your hospital account is in the penalty quartile but how close to the penalty quartile they are, affording you further opportunity for discussion.

Explain why you're the best investment

Articulate the best practices which contribute to your agency's lower readmission rate. How are you differentiating yourself? Do you offer specialized approaches on key DRGs? Explain why your agency is better…and then take the next step:

Show them the money

Quantify how many readmissions could be avoided with referrals to your agency.

1. Estimate market share at the local hospital for you and your competitors. You can use internal data for this, from your CRM system or HealthMR's Home Health Hospital Market Share report.
2. Estimate 30-day readmission rates for you and your competitors. You can use the data from HomeHealthCompare (http://www.medicare.gov/homehealthcompare). Although this is general readmission data, if you're performing well here, then it is pretty safe to assume you've got the 30-day readmission nailed too.
3. Obtain the number of Medicare patients discharged to home health from each current and future penalty DRG for that hospital along with overall home health discharges. You can use internal data, data from your CRM system or HealthMR's Medicare Hospital Home Care Discharges by DRG Report.
4. With these numbers, figure a weighted average for the hospital regarding how many of your patients would be readmitted versus your competition.
5. Now you can estimate how many readmission cases would be avoided if your agency was handling all the home health patients.

Although these numbers are estimates, they do put some quantifiable elements to the readmission solution. This process shows them the money – the number of readmissions that could be avoided by giving your agency an "exclusive." This quantified ($$$) approach will increase your odds of success in selling to the C-Suite.

How to Use Readmission Rate Data to Create More Lucrative Opportunities with Managed Care Organizations

It's a challenge for home care agencies today to make much of a profit when dealing with managed care organizations (MCOs). In this issue's feature, we provide a great example of how home care agencies can use readmission rate data to build business opportunity with MCOs.

Managed care organizations are economic beings – they respond best to arguments couched in dollars and cents. Because managed care accounts for only a minority of the home care activity in many markets, MCOs operate on the greater fool theory: They rely on agencies that are desperate for volume to take their ridiculously low rates. This works out for them in most cases, with MCO visit rates even less than Medicare low-utilization payment adjustment (LUPA) rates.

Home Care Organizations Must Demonstrate Their Value to Create Opportunity in the Managed Care Arena

As MCOs have gained greater experience with home care, some have also gone to episodic payment or extended authorizations in order to eliminate internal costs. But few have realized the value or impact that home care can have on other healthcare segments. If home care agencies can demonstrate their value, they can help create opportunity in the managed care arena. Capitalizing on the current buzz about Medicare readmissions, for example, is one area home care can demonstrate a positive impact on cost savings for MCOs.

How can your company use readmission data to demonstrate your value to MCOs? Here are three steps to do just that:

1. **Take a look at the performance of agencies in your market on Home Health Compare, focusing specifically on the readmission metric.** This metric includes Medicare fee-for-service patients and Medicare Advantage patients. Since home health agencies' treatment is designed not to differentiate based on patient payor, it's likely that the usage of these hospital services is similar for managed care patients by themselves.
2. **If your agency's performance is superior to your competitors' who are contracted with a particular MCO, calculate the average readmission rate for this group of competitors.** If your readmission rate is 21% and your competitors' is 29.5%, for example, then you have an advantage of 8.5%. Then, let's say you served 200 patients from this MCO, which means you saved them 17 admissions. If the average admission in your market costs $6,500, the savings would total $110,500.

Table 1 – The readmission rate weighted average calculation is illustrated below:

	Your Agency	Competitor 1	Competitor 2	Competitor 3	Weighted Avg Competitors
Episodes	1000	1200	800	600	
Readmission Rate	21%	29%	33%	26%	29.5%

Source: Readmission rate data comes from the Home Health Compare Web site; episode data comes from Healthcare Market Resources' Market Share Report.

3. **Demonstrate to the MCO the amount of money your company can save them compared to your competitors, and argue for more business or higher rates to reflect a portion of these savings.** You could also propose a "pay-for-performance" approach. This would involve creating a risk corridor that pays your agency more or less depending on your performance on a specific metric.

Thus, by demonstrating to MCOs your organization's economic advantage over other home care agencies in your market, you can ask for the following:

- More patients
- Higher rates, justified by past savings
- A retrospective savings-sharing arrangement at the end of each year
- A risk corridor arrangement, which bases rates on how your agency performs on a given metric (in this case, readmissions).

You'll find that MCOs are more likely to listen to an economic argument than to the familiar chant that their rates are not economical.