### Home Health Care

#### Critical Issues and Business Challenges

**Dependence on Reimbursement Rates and Health Care Reform**
Efforts to reduce national health care costs in recent years have made Medicare reimbursement a political issue. Because the industry already operates with low margins, any cuts in reimbursement rates directly impact profitability. Along with the rest of the health care industry, the home health care sector is being greatly affected by the Affordable Care Act of 2010. The ACA calls for moving to a value-based purchasing (VBP) reimbursement structure. Under VBP, care providers would be reimbursed based according to quality measurements that could include value-based bonus payments.

**Attracting Skilled Workers and Personnel Turnover**
Being a home health care aide can be physically and emotionally demanding. Patient loads are often excessive and opportunities for advancement are few, while aides’ wages and benefits are generally low compared to other available jobs. Many health care employers report difficulty in attracting and retaining skilled nurses, primarily due to an aging RN workforce and a lack of younger workers to fill positions. Competition for skilled nurses is fierce and widespread: home health care agencies must compete with hospitals, physicians’ offices, outpatient treatment facilities, nursing homes, visiting nurse agencies, government agencies, social assistance agencies, and other home health care firms. The Affordable Care Act of 2010 contains provisions for training additional nurses to meet this shortage.

**Increased Regulation**
A number of companies and individuals have been prosecuted for billing fraud and other illegal practices, such as self-referrals and kickbacks. As with other health care providers, home health care companies are facing greater regulatory scrutiny, especially as the aging of the US population leads to increased Medicare spending on home services.

*Hoovers

#### Key Facts

- Approximately 70% of home health patients are senior citizens.
- 89% of seniors prefer care at home.
- Between 2010 and 2050 the senior population is projected to reach 88.5 million – over twice the number of seniors in 2000 and twenty percent of the total population of the United States.
- 8,000 people turned 65 every day in 2011.
- In the late 2000s, there were more than 17,000 providers of home healthcare to 7.6 million people.
- There were 1,100 providers in place in 1963.
- The combined annual revenue for these providers is $57.6 billion, up from 38.3 billion in 2003. *IFA
- Home Health Care workers drive nearly five billion miles.
- Home Care began in the US as early as the 1880s. NAHC.org
- Patients average three or more impairments with daily living activities, 4.2 medical diagnoses each
- Over 3.3 million Medicare beneficiaries receive home health services
- Over 400,000 licensed or registered nurses, aids, and other practitioners provide care.

*HarrisWilliams

#### Business Trends

**Focus on Chronic Conditions:**
Initially conceived as transitional care after hospitalization, home health care now serves mainly elderly patients with chronic conditions who require periodic treatment.

**Greater Involvement:** Managed care organizations and Medicare are taking a greater direct role in determining home treatments. As the government looks for additional ways to cut Medicare costs, it will likely scrutinize home health care services even more closely.

**Increased Medical Equipment Use:** Patients with chronic illness are taking over more of their self-care, facilitated by the home health care equipment industry. Electronics that allow transmission of medical data let doctors better support their patients remotely, which will further increase home-based health care.

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Industries Trends Report

**Rapid Growth**

Use and growth of home health benefit has varied substantially due to changes in coverage and payment policy.

In 2013, 99.4 percent lived in a ZIP code served by at least one HHA, 97 percent lived in a ZIP code served by two or more HHAs, and over 84 percent lived in a ZIP code served by five or more agencies.

\*MedPac.gov

**Market Fragmentation**

The need for greater scale, operational efficiency, and comprehensive care delivery capabilities is driving market consolidation.

- Over 50% of HHAs generating less than $3 million in revenue.
- The home health industry is competitive and experiencing consolidation.
- Reimbursement pressures will reinforce the consolidation trend driven by the need for scale and better operating leverage to maintain and increase profits.
- The opening of new agencies is limited in states that possess a Certificate of Need, driving established players to make acquisitions in order to gain access to those states.

\*HarrisWilliams

**Industry Opportunities**

**Pediatric Care More Profitable**: Home health care for pediatric patients with long-term conditions is preferred by both doctors and parents over long hospitalizations. Pediatric courses of treatment often last for years.

**Favorable Demographics**: Demand for home health care will increase driven by the sheer number of older Americans. The US population 65 and older is expected to increase by 36 percent between 2015 and 2025.

**Reduced Hospital Admissions**: Home health care may reduce the number of hospital admissions a patient experiences, cutting Medicare expenses, according to a study by The Alliance for Home Health Quality and Innovation. The study showed that just one hospital admission could double treatment costs for patients with diabetes, for example.

For information about the ECRM Home Health Care Event Contact our SVP Pharmacy & Medical:

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