



The Future of Home Health Care :
Containing Costs while Serving Patients Preferences

Alliance for Home Health Quality and Innovation
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Introduction

Finding solutions to offset ever-rising healthcare costs is a top and critical issue facing public policy officials at every level of government; federal, state and local. As the need to streamline and improve our healthcare delivery system becomes more urgent, the skilled home healthcare should be part of those of those efforts.

According to a recent report from the Centers for Medicare & Medicaid Services (CMS), total healthcare expenditures in the United States in 2006 surpassed \$2 trillion, and about 16% of our country's Gross Domestic Product (GDP).¹ This is an increase of almost three times the \$714 billion spent in 1990, and over eight times the \$253 billion spent in 1980.²

Rising costs of healthcare are of particular concern with state and local officials. Overall healthcare costs make up about one-third of total spending by state governments.³

Medicaid costs alone account for over 20% of states' budgets, representing the single largest segment of states' budgets. Thirty-five percent of total Medicaid spending goes toward long-term care services, nearly 60% of which pays for services for elderly people.⁴ As policy makers explore alternatives and options to deal with rising healthcare

¹ Background Brief: Health U.S. Health Care Costs, Kaiser Family Foundation, January 2008

² National Health Care Expenditures Data, Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group, January 2008

³ The Fiscal Survey of States, National Governors Association and National Association of State Budget Officers, December 2007

<http://www.nga.org/Files/pdf/FSS0712.PDF>

⁴ John Hood, "Solving the Medicaid Puzzle—Ideas and Strategies for State Entitlement Reform," Policy Study (Los Angeles: Reason Public Policy Institute) 233 (October 1997),

<http://www.rppi.org/socialservices/ps233.html>

“Providing the care that lets people live at home if they want is less expensive than providing nursing home care. It frees up resources that can help other people. And obviously, many people are happier living at home.”

HHS Secretary Michael Leavitt’s speech to the World Health Congress, Feb. 1, 2005

costs, expanding the role of home healthcare should be an important part of the alternative choices for post-acute care, disease management, chronic and long-term care.

Medicare-certified home healthcare is defined as medical care a patient receives at his or her residence.

Home healthcare includes skilled nursing care, physical and occupational therapy, and speech-language pathology services. Services may also include medical

social services, assistance from a home health aide, comprehensive assessment and case management, and 24-hour on-call nursing, within the context of other skilled services.

Services are either for short-term conditions, such as recuperation from surgery, or for treatment of chronic diseases, such as diabetes or congestive heart failure. Medicare is

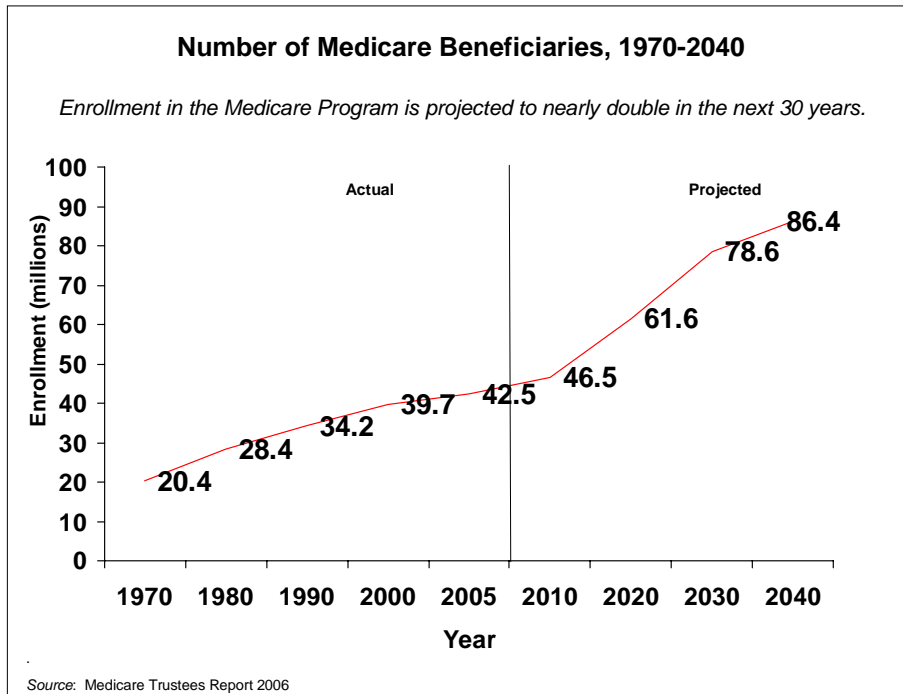
the largest single payer of home healthcare services. In 2006, Medicare spending accounted for approximately 37percent of home health expenditures.⁵ **That year, more**

than 3.3 million Medicare patients received more than 103 million home healthcare visits at a cost of \$14 billion.⁶

⁵ National Association for Home Care & Hospice. Basic Statistics About Home Care, Updated 2007 http://www.nahc.org/facts/07HC_Stats.pdf

⁶ Home Health Agency National State Summary for Completed Year 2006, Health Care Information System (HCIS), Medicare Part A & Part B <http://www.nahc.org/Facts/HHHCIS2006.pdf>

These costs will become increasingly important in the coming years as America’s population grows older. Aging baby boomers will bring a “silver tsunami” to our healthcare system as the number of Medicare beneficiaries will nearly double by 2030.⁷



Centers for Medicare & Medicaid Services
Office of the Assistant Secretary for Planning and Evaluation

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Home healthcare is the most logical and cost-effective alternative to other sub-acute services, such as nursing home stays or extended hospital visits for recuperative and chronic disease care. Patient satisfaction is high, clinical outcomes are positive and home healthcare is more cost-effective than nursing home care or additional days in a hospital. Advances in technology and development of protocols for managing chronic diseases

⁷ Centers for Medicare and Medicaid Services document, “Profiles of Medicare Chart Book from the 35th Anniversary Event”

have made home healthcare the preferred approach to chronic care and disease management.

Evolution of Home Healthcare

In earlier decades, the elderly and people with chronic conditions were sent to so-called “sanitariums” to be cared for. More recently, nursing homes or skilled nursing facilities (SNFs) have served this role for short-term recuperation and for longer-term care. While home healthcare has long been an alternative to sanitariums and nursing homes, it was once reserved for the wealthy or those with willing and trained family caregivers. In the late 1800s, the not-for-profit Visiting Nurses of America (VNA) ushered in a new chapter of home healthcare by serving the “homebound, the impoverished, the frail elderly and children at-risk.”⁸

Today’s home healthcare clinicians deliver high quality, personalized care for a wide variety of disease states and conditions that is supported by superior technology and leading edge care pathways and protocols. This evolution has positioned home healthcare as the ideal future model for recuperative care and chronic disease management.

Technology

The rising field of “telemedicine” – the transfer of medical information via data channels (such as telephone or internet) – connects home healthcare providers with the medical

⁸ Visiting Nurses Associations of America. What is VNAA?
<http://www.vnaa.org/vnaa/g/?h=HTML/WhatIsAVNA.html>

community like never before, fosters and improves communication among caregivers, and ultimately grant patients greater independence.⁹

With advances in technology, one's medical conditions can be monitored by doctors and nurses in the comfort and security of the patient's home. These same technologies can also summon emergency personnel or alert the patient that he or she requires medical assistance before an acute situation arises. Home healthcare also uses technology to perform routine but critical tasks such as reminding patients to take medicines, to schedule a follow-up appointments, to perform physical therapy or to monitor their blood pressure. Point-of-care devices carried by home healthcare clinicians assist in appointment scheduling, creating and maintaining patients' electronic medical records, prescriptions and any protocols relevant to a patient's care. These devices alert the clinician to possible prescription interactions and contain guides to step clinicians through disease protocols once the patients' information and vital signs have been entered. Importantly, these devices are equipped with a phone and a camera, allowing clinicians to contact other medical professionals on the care team with photos or one-on-one consultations are necessary. A recent study showed that 94% of home health nurses interviewed use devices to access reference materials—including drug databases, manuals and medical calculators—and to make informed patient decisions.¹⁰

⁹ Institute Of Medicine. "Retooling for an Aging America: Rebuilding the Health Care Workforce." <http://www.iom.edu/CMS/3809/40113/53452.aspx>

¹⁰ DerGurahian, Jean. "Nurses on Point-of-Care IT Usage: Study." Modern Healthcare Online. Jan. 4, 2008

In addition to helping keep track of a patients' health through telemedicine, assistive technologies exist which to handle other challenges that often require a stay in a hospital or other care institution. Specifically, technologies that mitigate decreased mobility – such as those that would help with repositioning a patient in bed, or transferring a patient to or from a wheelchair – reduce the need for caregiver support.¹¹

This technology is one reason why home healthcare offers a substantial savings over other long-term and post-acute care options. Beyond savings incurred by prevention and early diagnosis of potential problems, the use of telemedicine and assistive technologies have been shown to lessen the need for care hours – one 2003 study

showed that home healthcare patients who used these technologies required an average of four fewer care hours per week.¹² Even with these savings (and, with newer technologies, the potential for more) Medicare's coverage criteria exclude many technologies (and required upgrades and maintenance) due to an "in-home use" guideline.¹³

“In general, technology increases independence and improves the quality of life. You can use it to monitor daily activities, health conditions, health activity, and health patterns. It allows the opportunity for medical or family intervention before a crisis occurs, and delays the onset of need for costly healthcare. It provides peace of mind, and minimizes caregiver burdens and potentially delays the need for assisted living or admittance to a nursing home.”

“Redesigning Healthcare for an Aging Nation.” The Alliance for Aging Research. Mar. 2003

¹¹ Institute Of Medicine. “Retooling for an Aging America: Rebuilding the Health Care Workforce.” <http://www.iom.edu/CMS/3809/40113/53452.aspx>

¹² Institute Of Medicine. “Retooling for an Aging America: Rebuilding the Health Care Workforce.” <http://www.iom.edu/CMS/3809/40113/53452.aspx>

¹³ The Alliance for Aging Research. “Redesigning Healthcare for an Aging Nation..” <http://www.agingresearch.org/content/article/detail/701>

“Twenty-five percent of people with chronic conditions have some type of activity limitation. Activity limitations include having difficulty walking, needing help with personal tasks such as dressing or bathing, or being restricted in the ability to work or attend school. Many people with activity limitations need personal assistance or long-term care, and the continuity of their care would likely be improved by creating links between the acute and long-term care systems.”

“Chronic Conditions: Making the Case for Ongoing Care,” Partnership for Solutions, Sep. 2004

Patient-focused care

After a surgery or illness, most patients want to quickly transfer to their homes for recuperation. In sharp contrast to a nursing home or hospital, home healthcare professionals can focus solely on a single patient’s needs while in the home. Unlike a nursing home or a hospital, a technician’s routine will not bring him or her to a patient’s room at 3:00 a.m. to draw blood, and a doctor does not make cursory rounds at 6:00 a.m. Instead, teams of clinicians – trained specifically to administer the care the patient needs – work with the physician, patient, and family to determine the best course of care and to oversee its implementation and to monitor progress.

The patient-centric model differentiates home healthcare from long-term care or chronic disease management offered by nursing homes or hospital programs. While nursing homes and hospitals are appropriate for some cases, their normal “one-size-fits-all” approach causes patients undue stress and the delivery of care at a much higher cost. For patients with their own homes, a nursing home stay can be a miserable experience – unfamiliar surroundings, a pre-determined schedule, and “assembly line” care. *Home*

healthcare is patient-specific, personalized and delivered according to the needs of the patient.

Home healthcare serves a patient preference as well: in a 2003 AARP survey of people over 50, 81% expressed their preference to stay at home even if needing constant care. In a 1997 survey of older people, 30 percent said they would rather die than be institutionalized.¹⁴

Patient preference translates well to patient service and satisfaction. One international study found that telemedicine was effective in terms of reducing the number of clinic visits and achieving patient satisfaction. The average number of clinic visits per month was significantly decreased from 0.64 to 0.42 after the use of telemedicine and 72% of patients were satisfied with telemedicine. Interestingly, patients in their homes (82%) were more satisfied than patients in nursing homes (50%).¹⁵

Quality of care

Bringing healthcare to the patient at his or her own home not only improves the experience for the patient, but increases the quality of the care. With the ability to see the patient's surroundings and interact with family caregivers, the provider has the distinct advantage of being able to tailor a care plan that takes these factors into account. *Using state-of-the art technology to guide each patient's care – and bring the latest protocols*

¹⁴ Kaiser Family Foundation, <http://www.kff.org/medicare/upload/7717.pdf>

¹⁵ International Journal of Medical Informatics, Volume 61, Issues 2-3, May 2001, Pages 167-173

and standards of care to a patient's home – prevents unnecessary and costly hospitalizations and improves outcomes.

Disease management is an area where home healthcare brings especially good results.

“Disease management” is an approach to treating chronic disease where a program of care is implemented with identified patients and the results and outcomes are measured.

Home healthcare is an especially appropriate setting for chronic disease management because it emphasizes a continuum of care – from diet to monitoring blood pressure – that can be most effectively and efficiently be delivered through home healthcare.

Because the care is personalized and because the setting is safe and familiar, expert home health clinicians can teach patients how to most effectively manage the disease, monitor progress, administer therapies, and oversee every aspect of their care.

One study of elderly patients with congestive heart failure showed that intensive home care monitoring decreased hospital admissions from 3.2 admissions per year to 1.2 admissions per year. Remarkably, the length of stay per year decreased from 26 to six days per year. Home healthcare also resulted in functional status improvement in elderly patients with congestive heart failure.¹⁶

While certain quality-of-life benefits of home healthcare are difficult to quantify, this aspect of the experience is significant nonetheless. Caregivers can give instructions, ask questions, and receive information directly – not through a patient with potentially

¹⁶National Association for Home Care & Hospice. Basic Statistics About Home Care, Updated 2007
http://www.nahc.org/facts/07HC_Stats.pdf

limited knowledge, mobility or cognition. The home setting is more conducive to educating the patient and the family caregiver how to manage an illness or chronic condition and reduces the stress on the caregiver. The ability to recuperate from a surgery or hospital stay in the comfort of one's home, with familiar surroundings, loved ones, pets and furnishings is important to a full recovery. Home healthcare allows that sense of dignity, privacy, and independence to be the norm, not the exception.

Another advantage of home healthcare is prevention of infectious disease. According to the CDC, about 85% of all invasive MRSA infections were associated with

healthcare. While most of the recent discussion regarding MRSA has centered on hospitals and schools, nursing homes are hotbeds of infectious disease. Because of shared sources of air, water, food and other common facilities, nursing home residents are particularly prone to communicable disease. Staff, visitors, residents and doctors move from room to room and can carry pathogens with them. In a home care environment, most of these factors are mitigated.

Paying for home healthcare

Home healthcare is reimbursed under Medicare through a prospective payment system (PPS). Under prospective payment Medicare pays a home health agency a set payment

“[Medicaid Home-and Community-Based Care] programs have shown that, often, the most cost-effective place to provide care is where most people prefer to receive their care: living in their homes, connected to their communities, surrounded by friends and family. And that means better outcomes without higher costs in Medicaid – a result that we cannot afford to pass up any longer.”

CMS Administrator Mark McClellan's testimony to House Energy and Commerce Subcommittee on Health, Apr. 27, 2005

per patient that is adjusted based on a number of factors including the location, health, and needs of a patient. Each payment is based on a 60-day episode. If at the end of the episode the patient is still eligible for care, a second episode may begin. There is no limit on the number of episodes a patient can receive if additional skilled services are required to meet clinical goals and to prevent hospitalization.¹⁷

Cost-effective care

Increasing access to home healthcare is a sound strategy for containing rising healthcare costs. A comparison done by the Social Security Administration of hospital, nursing home and home health charges showed that in 2006 a one day hospital stay was \$5,036, one day in a nursing home was \$535, and a single home health visit was \$125 – which translates into a per-day cost of \$45. While hospitals and nursing homes certainly have their place in our healthcare model, this cost comparison demonstrates that services that can be moved from the hospital or nursing home setting to home healthcare will be performed at significant cost savings. Because of technological advances, some procedures which used to require at least an outpatient visit to a hospital or institutional setting – such as infusion – could be handled at home if regulations allowed. Other technological advances in telemedicine and home monitoring devices allow patients to be cared for in their homes instead of being kept in a hospital “for observation.”

Today, 83% of Medicare beneficiaries have at least one chronic condition. More than 23% of beneficiaries have five or more chronic conditions and account for 68% of

¹⁷ Centers for Medicare and Medicaid Services website.
<http://www.cms.hhs.gov/HomeHealthPPS/>

Medicare spending. These beneficiaries are also most likely to have a preventable hospitalization.¹⁸ Using home healthcare to manage chronic disease brings significant cost savings to Medicare and state Medicaid programs. Numerous studies involving different chronic diseases and acute care situations concur – home healthcare is cost effective:

- “A June 2005 RAND study detailed costs and outcomes for hip and knee replacement patients in different post-acute care settings. The report found that total post-acute care payments for inpatient rehabilitation facility (IRF) and skilled nursing facility [SNF] patients ‘were \$8,023 and \$3,578 respectively higher than Medicare payments for patients who were discharged home.’”¹⁹
- “Oxygen can be provided to a chronic obstructive pulmonary disease (COPD) patient who lives at home for one year at less than the average Medicare cost for one day in the hospital, which is \$3,606 (Annual Statistical Supplement, 2004, Social Security Bulletin). Direct medical costs for COPD in the U.S. total \$18 billion per year, nearly 9% of Medicare expenditures.”²⁰

Conclusion

America’s healthcare system is facing unprecedented challenges which will continue for the foreseeable future.

¹⁸ Anderson, GF. Medicare and Chronic conditions. N Engl J Med 2005; 353:3.

¹⁹ Visiting Nurses Associations of America

²⁰ Dunne PJ. The demographics and economics of long-term oxygen therapy. Respiratory Care. 45:223-228, 2000 from Visiting Nurses Associations of America website

http://www.vnaa.org/vnaa/GeneralContentPages/html/doc/Cost_Effectiveness.doc

Increasing costs and an aging population will mean increasing healthcare expenditures, taking up a bigger slice of budgets at all levels of government. In the coming years, elected officials will look for ways to continue deliver a high level of care, maintain patient satisfaction, and control costs.

Home healthcare is an important and necessary part of the solution and offers an important value proposition as America's healthcare delivery models evolve.

With the proper resource commitment from Medicare and other public programs, home healthcare will be an extension of facility-based care, an alternative to avoidable and unnecessary episodes of facility-based care, and a critical care management tool within the healthcare delivery system.