

## Study Highlights:

## Clinically Appropriate and Cost-Effective Placement Project

Working Papers #1 and #2

The Alliance for Home Health **Quality and Innovation** commissioned Dobson | DaVanzo & Associates to study how the Medicare home health benefit can better meet beneficiary needs and improve the quality and efficiency of care provided within the U.S. health care system. The results of the **Clinically Appropriate and Cost-Effective Placement** (CACEP) Project will be released throughout 2012, culminating in the release of the final report in Fall 2012.

The Clinically Appropriate and Cost-Effective Placement Project analyzes the use of home healthcare over three years of Medicare claims data, for three distinct episodes, and includes the functional status assessments from each of the post-acute care settings:

- Post-Acute Care: within 60 days of discharge from an acute care hospital
- Pre-Acute Care: 60 days prior to admission to an acute care hospital
- Community Based or Non-Post-Acute Care: nine months following discharge from a community home health admission

Post-Acute Care: Home healthcare is often cost-effective in comparison with other formal post-acute care settings.

- Nearly 40% of Medicare episodes involving hospital discharges to formal post-acute care settings go to home healthcare.
- Home healthcare is the least costly alternative, representing 38.7% of all Medicare episodes using formal post-acute care first settings, but comprising only 27.8% of payments.
- The variation in Medicare episode payments across different first settings is attributable to first setting and subsequent care used. When comparing average payments across settings, home health is the most cost-effective. For example, the average first setting Medicare payments for MS-DRG 470 (major joint replacement) are:
  - Home Health: \$3,267
  - SNF: \$8,981
  - IRF: \$13,073
  - LTCH: \$27,399
- Average Medicare payments increase with the number of chronic conditions a patient has, with the average patient suffering from five chronic conditions.
- Home healthcare and SNFs share similar patients by MS-DRG (Diagnosis Related Group), indicating that there may be large potential overlap in the characteristics of patients treated across formal first settings and suggesting that patients could potentially be appropriately placed in lower cost settings.
  - For example, for MS-DRG 470 the average episode payment where home healthcare is the first setting saves \$5,411 versus the average overall episode payment.

Pre-Acute Care: Home healthcare can be used to better manage pre-acute episode patients with multiple chronic conditions to prevent avoidable hospitalizations.

- A majority of pre-acute care episodes are concentrated among patients with the highest severity primary chronic conditions, including congestive heart failure, diabetes and osteoporosis, among others.
- Payments for home healthcare, SNF, IRF, and LTCH account for only 2.3 percent of all pre-acute care Medicare episode payments, whereas hospital and physician services account for 92 percent of payments. These data suggest that there may be opportunities to invest in improved chronic care management to avoid preventable hospitalizations, thereby improving care and reducing cost. Home healthcare providers are well positioned to provide chronic care management in this context and have experience with managing patients with multiple chronic conditions.

Community Based or Non-Post-Acute Care:
Home healthcare referred from the community is currently being used to manage care for many patients with multiple chronic conditions. There may be further opportunities for improving the quality and efficiency of care for Medicare beneficiaries through the clinically appropriate use of home healthcare.

- A majority of community-based or non-postacute care episodes are concentrated among patients with the highest severity primary chronic conditions, including congestive heart failure, COPD, diabetes, renal failure, and osteoporosis.
- 44.1 percent of Medicare payments were associated with hospital and physician services in non-post acute care communitybased episodes compared to 92 percent in the pre-acute episodes.
- There may be opportunities for savings through clinically appropriate use of home healthcare to better manage patients with chronic conditions and keep them out of the hospital.

## FOR MORE INFORMATION CONTACT:

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