

# Homefront

THE NEWSLETTER OF THE HOME CARE ASSOCIATION OF NEW HAMPSHIRE

Spring 2010

## HOME CARE AND HEALTHCARE REFORM:

# Are We There Yet?

After nearly a year of debate in the nation's capital on the merits and direction of healthcare reform, we clearly "aren't there yet." But just as clearly, we are still on the road to reform, though the final destination isn't certain and may not be for awhile.

### Where Does Home Care Fit In?

Home health is considered a "post-acute care provider" in the Medicare program, meaning that services are provided at a location other than a hospital, and frequently are ordered following a hospitalization to assist the individual with recovery from surgery, an illness or injury. (Hospitalization is not a pre-requisite to receive Medicare-funded home health services, however.) Home care is also a provider of long-term care services, but, for the most part, this segment of healthcare is not the focus of reform legislation.

### Alternative Payment Structures in Reform Proposals

Much of the reform discussion has centered on how care is paid for. One proposal included in the House and Senate health reform bills would "bundle" home health and other post-acute care services into hospital payments, at least for the first 30 days after a hospital discharge. The intent of this approach is to make hospitals more accountable for the healthcare outcomes of their patients, particularly as hospital stays have become shorter and the reliance on post-acute care providers like home health agencies has become critical to the patient's successful recovery.

There are several risks associated with bundling, according to the National Association for Home Care & Hospice



## New Hampshire's Changing Home Care Marketplace

### AGENCIES PURSUE MERGERS AND NEW MARKETS

Providers of skilled home health care services, particularly Medicare-certified agencies, have been under ever greater pressure in recent years to adapt to a rapidly changing environment. In addition to increased demand for their services, providers have been confronted by new regulations, expensive technologies, workforce shortages, and a competitive market. In addition, the continuing shift in the long-term care system from institutional care to community-based and consumer-directed services has presented its own challenges and opportunities.

"It is a Catch 22," states Brad Borbidge, CPA, a New Hampshire accountant specializing in home health. "While home health can help decrease the cost of care by keeping patients out of more expensive settings such as hospitals and emergency rooms, the cost to provide care to patients at home has increased due to administrative costs. This situation is

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HCANH MEMBERS MET WITH SENATOR JEANNE SHAHEEN TO DISCUSS HEALTHCARE REFORM LEGISLATION: (L-R) JOAN HULL, HOME HEALTH VNA; KAREN BARANOWSKI, HOME HEALTH & HOSPICE CARE; SENATOR SHAHEEN; LINDA HOTCHKISS, ROCHESTER DISTRICT VNA; MARY DEVEAU, CONCORD REGIONAL VNA; AND SUSAN YOUNG, HCANH.

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## Are We There Yet? cont'd from pg 1

(NAHC). It would cause major disruption to the health care industry, be anticompetitive, increase the federal regulatory burden, and erect a new and unnecessary barrier to beneficiaries' access to quality care. In particular, home health agencies that are not part of a hospital system (the case for most New Hampshire-based agencies) could find themselves frozen out of providing care to a large segment of their community when hospitals restrict referrals to their corporate partners or other "preferred providers."

Further, most hospitals have no experience in the management of post-acute care and no infrastructure to manage utilization review. If bundled payments are considered, NAHC believes they should go to community-based providers that have a breadth of experience in providing post-acute care and avoiding unnecessary hospitalizations.

### Paying for Reform

Perhaps of most immediate concern to home health providers are the revisions planned to Medicare reimbursement policy to generate the savings needed to increase coverage of the uninsured. The scope of these cuts is dramatic for home health: the House health care reform proposal would take \$54.7 billion over ten years from a Medicare benefit that expends about \$16.5 billion per year (\$1 billion less than in 1997) and that is already under control in terms of expenditure growth. The bill passed by the Senate includes home health cuts totaling \$42.1 billion.

The proposed cuts are totally disproportionate to the cuts affecting other providers; currently home health is 3.7 percent of Medicare spending while it would suffer 10.2 percent of the cuts in the House bill, 9.4 percent in the Senate.

Projected home health spending

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over this period would be

cut by 17.2 percent in the House bill, by 13.6 percent in the Senate bill. In dollars, that translates to a reduction in Medicare home health payments for New Hampshire residents of \$226 million in the House bill and \$172 in the Senate version over a 10-year period.

Although the White House released a new healthcare bill on February 22, there is still reason for concern. President Obama has indicated that the savings identified in the House and Senate bills (or some target between the two figures) will be incorporated into whatever final reform measure makes it through the legislative process.

### The Potential Impact on New Hampshire Residents

At first, it might appear that only Medicare home health beneficiaries are at risk, but in fact the impact is far broader. State-funded programs, in particular Medicaid, rely on providers to underwrite the cost of state programs, paying rates that are generally less than the cost to deliver care. Providers shift the cost of those under-funded services to other payers, and in the case of home health, that major payer has been Medicare. Once Medicare eliminates the margins providers have been using for this purpose, the ability to provide care to all who need support will evaporate.

This situation has only gotten worse as the state has worked to cover a growing deficit by trimming reimbursement rates. Among the list of cost reductions included in the plan released by the NH Department of Health & Human Services in February was the roll-back of rate increases implemented in State fiscal years 2008-09, a total of four percent for home care services. While this may seem a small pay cut, it affects rates that were already well below cost, and restoration of those reductions, not to mention needed increases, are unlikely given the state's fiscal situation. 

# Member News

## Seacoast VNA And Home Health VNA Merge

Seacoast VNA in North Hampton and Home Health VNA based in Lawrence, MA, announced the merger of the two agencies effective July 31, 2009. "This merger will strengthen both of our agencies and bring new services such as maternal and child health, private care, and hospice to Seacoast VNA. The operational efficiencies created through the merger will ensure the ongoing viability of comprehensive, high quality home care services in the New Hampshire region," said Joan Stygles Hull, CEO of Home Health VNA. Seacoast VNA is now operating as a branch of Home Health VNA, but has retained its name.

## Lakes Region Agencies To Merge

News of a second merger involving two VNAs has recently been released, this one in the Lakes Region. Community Health & Hospice in Laconia and VNA/Hospice of Southern Carroll County & Vicinity in Wolfeboro announced their intent to merge, with the goal of completing the merger in April.

## New Hampshire's "Homecare Elite"

In October, OCS HomeCare, a leading home health benchmark reporting and outcomes measuring firm, and DecisionHealth® announced the 2009 HomeCare Elite™, a compilation of the top-performing Medicare-certified home health care agencies in the United States. The annual review recognizes the top 25 percent of agencies based on an analysis of quality outcomes, quality improvement, and financial performance.

Congratulations to N.H. home care agencies making the list:

Amedisys Home Health, Portsmouth  
 Homemakers Health Services, Rochester  
 Interim Healthcare, Manchester  
 Seacoast VNA, North Hampton  
 VNA at HCS, Inc., Keene  
 Upper CT Valley Home Health, Colebrook  
 Wentworth Home Care & Hospice, Dover  
 Rochester District VNA (Your VNA), Rochester

### Rochester District VNA Honored

OCS Home Care named Rochester District VNA as the Overall 2009 Vision Award winner. The OCS Vision Awards honor and recognize the exceptional efforts of homecare and hospice providers from across the country that are actively engaged in strategic initiatives to improve quality of care and organizational performance.



JULIE REYNOLDS, CLINICAL DIRECTOR, AND SUE HOULE, STAFF EDUCATION COORDINATOR, WITH THE 2009 VISION AWARD PRESENTED TO ROCHESTER DISTRICT VNA

### Mary DeVeau Wins "2010 Outstanding Women In Business" Award

Mary DeVeau, President and CEO of the Concord Regional Visiting Nurse Association (CRVNA), was recognized as one of New Hampshire Business Review's (NHBR) six 2010 Outstanding Women in Business.

In addition to guiding the agency through a significant technology program and the planning and construction of CRVNA's new offices at 30 Pillsbury St. Street in Concord, she has engineered a supportive work environment, as evidenced by a nurse turnover rate of 5 percent — far below the industry average of 21 percent. Mary also serves as a board member of the Visiting Nurse Associations of America, New England Life Care and the Community Provider Network of Central New Hampshire.

## REPORT FROM THE STATE HOUSE:

# 2010 State Legislative Priorities For Home Care



Granite State Home Health Association (GSHHA), the government relations affiliate of the Home Care Association of New Hampshire, is monitoring many bills this session. Here are some of the proposals of greatest interest to home care providers:

**HB 1170**, relative to licensure of home health care providers (Rep. Millham), as amended in the House, allows home care providers to be surveyed for regulatory compliance every other year, rather than annually as is presently required.

In addition, the bill allows adult medical day care facilities to qualify for every-other-year surveys if they have been deficiency-free for two consecutive years, have had no founded complaint investigations, and have not had a change in administrator.

The goal of the bill is less regulatory expense for both the licensing bureau at the Dept. of Health & Human Services (DHHS) and well-performing home health agencies and adult day care programs.

**HB 1355**, relative to certain Medicaid appropriations (Rep. Harding), addresses an issue specific to home health and nursing homes. State law sets forth specific rate-setting processes for these services, but allows the resulting rates to be discounted or reduced based on budget appropriations.

DHHS uses a "budget neutrality factor" for nursing homes and a "proportionate discount" for home health services. However, DHHS can transfer funds out of the home care line item to cover other program costs while still discounting home health rates. We believe this is in direct conflict with the law, and this bill would correct that practice.

The bill passed the House on March 11, and now goes to the Senate for consideration.

**HB 1356**, relative to certain nonprofit corporations subject to the right-to-know law (Rep. Watrous), would expand the application of right-to-know law to private charities that receive substantial funding from the state, counties or towns. Not only would this measure increase costs for many small nonprofits, it interferes with the existing local governance and oversight provided by community boards of directors. GSHHA is advocating that this legislation be voted "inexpedient to legislate."

**HB 1649**, relative to health information and patients rights and establishing a commission to study adding certain information to a driver's license (Rep. Bridgham), is a further effort to revisit the matter of the privacy of electronic health records. GSHHA was concerned about the original version of the bill, but supports an amended version passed by the House that focuses on patient access to an "audit trail" of those that have accessed the patient's electronic medical record.

exacerbated by the lack of adequate Medicaid reimbursement and the threat of Medicare rate cuts. Medicare has traditionally helped cover deficits in Medicaid reimbursements, so Medicare payment reductions are especially troubling."

In addition to reimbursement concerns, providers have had to invest thousands of dollars to comply with well-intentioned regulatory changes such as HIPAA, and by purchasing expensive electronic medical records (EMR) systems. And many have also invested in home telemonitoring devices to improve the management of chronic diseases, even though few payers cover home telehealth at this point.

Consequently, Borbidge finds that "home care agencies are looking for ways to survive." Most agencies have already taken another look at their operations, cutting costs wherever possible. Some agencies are trying to increase their market, or their market share, in order to create a larger client base to spread those increased administrative costs. Others are looking for partners, with the same goal of increasing clients and spreading overhead costs.

### Mergers Bring Economies of Scale

In recent months, New Hampshire has seen increased merger activity among home care agencies, as demonstrated by the recent mergers of Seacoast VNA in North Hampton with Home Health VNA in Lawrence, Massachusetts, and Community Health & Hospice

in Laconia with VNA/Hospice of Southern Carroll County & Vicinity in Wolfeboro. In addition, three northern New Hampshire hospitals are considering a merger of their hospital-based agencies into a single, free-standing entity. "Over the years, it has become a challenge for small agencies to meet the intensifying demands of home-based healthcare on their own," explains Community Health & Hospice executive director Margaret Franckhauser. "There is a critical mass of talent that must exist in order for the delivery of home care to be excellent and sustainable. This is the reason that our two organizations are joining forces. We each bring knowledge of our communities and our own professional talents to the merged entity. Together we have thoughtfully designed a merged entity to represent the interests of all our communities. In doing this we hope to ensure services for decades to come."

### Many Agencies Expanding Service Areas

Others have pursued geographic expansion. VNA & Hospice of VT & NH has extended their reach into the New London and Claremont areas. "By expanding and reaching a greater number of potential clients, we are able to make more effective use of existing resources, as well as provide appropriate, well-coordinated services," states Jeanne McLaughlin, president and CEO of VNA & Hospice of VT and NH.

"Yet, as some agencies work to increase their service areas to gain more patients, other agencies

— who did not have any plans to expand — may conclude they have no choice but to push back with their own expansion," says Scott Fabry, CEO at Lake Sunapee Region VNA, which has recently moved into the Lebanon market. "One positive result from these market changes may be more choices for consumers and referring organizations, but it remains to be seen if there is enough business for all agencies to remain fiscally healthy."

Borbidge believes that those agencies heavily reliant on Medicare reimbursement will continue to be more affected by "regulatory risk" than providers that cater to the private pay market, giving larger national and regional providers with economies of scale a competitive advantage over smaller providers.

### Adequate Reimbursement Rates Are Essential

While mergers and market expansion may help some agencies' bottom lines, these actions alone will not provide the savings necessary to subsidize Medicaid services at the level presently required.

"Unfortunately, inadequate funding and regulatory complexity will continue to be a fact of life for home health agencies. How home health is paid and who pays for it will really determine the future structure of home care. Thus, we must remain committed to securing the funding required to keep home care a viable and available option throughout our state," concludes Susan Young, executive director of the Home Care Association of New Hampshire. 🌐



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