Carolinas HealthCare System

Petition for a Workgroup to be Convened to Review the Home Health Agency Need Methodology

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Requested Adjustment

Carolinas HealthCare System (CHS) is requesting the State Health Coordinating Council (SHCC) convene a work group to review the Medicare-certified home health agency need methodology in the State Medical Facilities Plan (SMFP).

Reason for Proposed Adjustment

The current home health methodology has been included in the SMFP since 1996. There have been minor adjustments made over the years, most recently in 2008 for the 2009 SMFP. At that time the SHCC convened a Home Health Task Force to review the methodology. The Task Force proposed to lower the deficit threshold that triggers need from 400 patients to 275 patients and the SHCC approved their recommendation. The SHCC also agreed to review the deficit threshold again in three years. The three year deadline passed in 2011..

Since 2001 the need methodology has generated a need for 12 Medicare-certified home health agencies in the annual SMFPs. (One need determination for Mecklenburg County was the result of a special needs petition for the non-English speaking, non-Hispanic population and is not included in this count.) The 2012 SMFP includes a need for three additional agencies, two in Mecklenburg County and one in Wake County. As shown in the table below, Mecklenburg and Wake counties have accounted for 67 percent of all need determinations over the last 10 years.

SMFP Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total	% of Total	Cum. % Total
Need Threshold	250	250	400	400	400	400	275	275	275	275			
Mecklenburg			1				0*		0**	2	3	33.3%	33.3%
Wake					1			1		1	3	33.3%	66.7%
Pamlico	1										1	11.1%	77.8%
Guilford									1		1	11.1%	88.9%
Cabarrus									1		1	11.1%	100.0%
Grand Total	1	0	1	0	1	0	0	1	2	3	9	100.0%	

* This need was based on a special needs petition to address the special needs of the non-English speaking, non-Hispanic population.

** There was a need for two in the SMFP based on inaccurate data. Upon correction of the data error, this need was removed.

The current methodology determines need for home health agencies at the county level. The utilization across four age groups is reviewed and projected. The age groups are: under 18, 18-64, 65-74 and 75 and over. The methodology calculates the actual county use rate for the last three years, the average annual rate of change in the number of patients served and the average annual rate of change in the use rate. The same measures are calculated for the Council of Government (COG) regions across the state. The methodology projects future anticipated patients in a county by inflating the number of patients by the COG region growth rate. The methodology also calculates potential patients served by inflating the county use rate by the COG average annual change in use rate and applying the calculated use rate to the projected population one year in the future. A need is triggered for a new agency or office if the number of potential home health patients exceeds the number of anticipated patients by at least 275 patients.

Reasons for the Request

CHS is requesting the SHCC to convene a workgroup to review the Medicare-certified home health agency methodology for three primary reasons.

1. Use of Appropriate Measure

A fundamental question to consider is whether the methodology is using the appropriate measure to determine need. Forecasting need on the number of patients does not take into consideration the number of visits provided to the patient. The vast majority of methodologies included in the SMFP are based on actual utilization statistics: patient days, surgical cases, MRI scans, cardiac catheterization procedures, etc. The workgroup should consider the advantages and disadvantages of switching to a patient-visit based methodology instead of the current patient-based methodology.

2. Deficit Threshold

If the workgroup determines the current patient-based methodology is the most appropriate approach, the patient deficit required to trigger need should be reviewed. The nature of the home health business allows an agency or office to treat a wide range in the number of patients. There are two home health agencies in North Carolina treating over 4,000 patients from the county in which the agency is located. The total number of patients being served by these agencies is even higher when patients from other counties are included. The deficit threshold has ranged from 250

to 400 patients over the years. The workgroup should consider alternatives for determining an appropriate standard for the number of patients to be served by an agency.

3. Industry Changes

In addition, there have been numerous industry changes since the methodology was first introduced. These industry changes include: major changes in home health reimbursement, consolidation in the industry and the passage of the health reform law in 2010. Any one of these changes might render the current methodology less valid; certainly all three warrant a serious consideration of the appropriateness of the approach and need methodology for home health care in North Carolina.

The reimbursement changes in home health have resulted in fewer patient visits provided per patient. The impact of those changes is that agencies can serve more patients with the same number of staff. Under a patient-based methodology this trend reduces the need for new agencies.

The industry has also seen significant consolidation in recent years. Our local example is that in just the last year Mecklenburg County has seen a national company acquire two other agencies resulting in three of the nine total agencies being owned by a single provider. This ongoing consolidation seems counter to the idea that additional agencies are needed in Mecklenburg County.

One of the major challenges for providers under the health reform law is to increase quality and reduce cost by caring for patients in the most appropriate environment. These efforts will provide increased incentives to provide care for more patients in the home. The law also places an emphasis on providing better coordinated care to increase quality and reduce hospital readmissions. These dual aims would suggest that more agencies may not necessarily be better. The more appropriate response may be larger agencies that can provide better coordination and quality across a larger patient population.

Impact of Request

Potential changes resulting from the recommendations of the workgroup are not possible to predict at this time.

Evidence of No Duplication of Resources

The request to convene a workgroup will not result in a duplication of resources. The workgroup may determine that the current methodology overestimates need and is generating more need determinations than necessary. The risk of unnecessary duplication of resources is greater by not granting the request to convene a workgroup.

Evidence that the Request is Consistent with the Three Basic Principles Governing the Development of the SMFP: Safety and Quality, Access and Value.

The request for a workgroup to review the methodology and make revisions where appropriate will not change how the current methodology is consistent with the three basic principles. In fact, if the current methodology is using a deficit threshold that is too low given today's industry best practices, the result is additional home health agencies being approved in a county where none

are needed. This unnecessary duplication of services could result in a reduction in safety, quality and value.

With regard to access, the 275 patient deficit required to trigger need is not an accurate measure to guarantee access. The nature of the home health business allows an agency or office to treat a wide range in the number of patients. There are two home health agencies in North Carolina treating over 4,000 patients from the county in which the agency is located. The total number of patients being served by these agencies is even higher when patients from other counties are included. If the workgroup proposes an increase in the deficit threshold there should be no impact on access for patients.

Summary

In summary, based on the factors described above CHS is requesting that the SHCC provide the workgroup with a charge to fully reconsider the approach to, and methodology for, determining need for home health agencies in North Carolina.