

OCS's Twiss Forecasts Coming Trend of Linking Disease Management, Outcomes, and Payment in Home Care

Many in health policy circles hold fast to the belief that "as goes Medicare, so goes the private insurance market." In a reversal of that expectation, the concept of "pay for performance" (also known as "P4P"), which got its start some years back in private industry, is now steadily creeping into mainstream Medicare payment discussion. The latest salvo in this growing trend came in recent deliberation by the Medicare Payment Advisory Commission (MedPAC) on the prospect of applying pay-for-performance principles to the home health program.

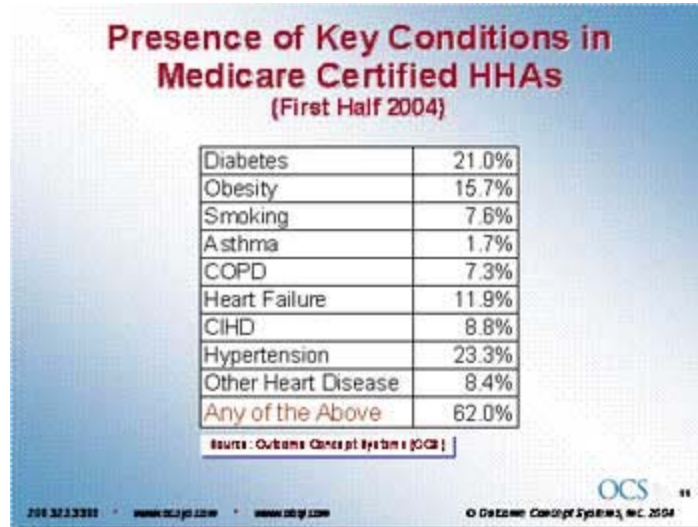
Amanda Twiss, president of Seattle-based home health benchmarking firm [Outcome Concept Systems \(OCS\)](#), recently presented an analysis of the growing interest in P4P, advising home health agencies that as Medicare moves closer toward a performance-based payment system, they would do well to incorporate "disease management" principles in patient care. The real-world application of disease management, however--still in relative infancy--is often only loosely understood and lacking in hard data to measure effectiveness.

So while there are a number of definitions of disease management currently in use, Twiss defined it from a broad perspective as a way of standardizing techniques and systematizing approaches to care around a particular disease or condition. She sees disease management, when effectively implemented, as a means of attaining outcomes improvement, patient satisfaction, and cost reduction.

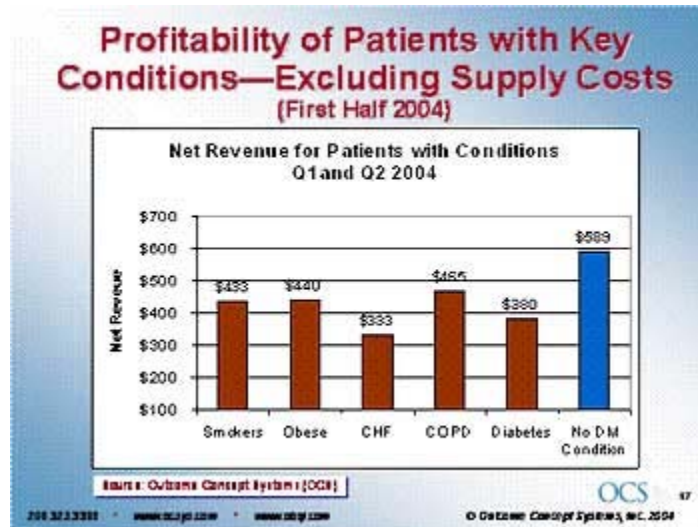
There are several different P4P reimbursement models in use. Some of these provide bonuses (on a quarterly or annual basis) for achieving target measures such as utilization, clinical quality, patient satisfaction, patient safety, or outcomes; others "withhold" a certain percentage of payment until the quality of care provided can be verified. Incentives or withheld payments usually fall between 1 and 5 percent of total payments.

Sharpening up the somewhat fuzzy information available on disease management, Twiss buttressed her case with analysis of OCS's considerable client database. It indicates that about 62 percent of Medicare home health patients have one or more of the diagnoses most often treated in disease management programs, and that many of these diagnoses also yield the lowest profits under Medicare. Among the conditions for which disease management is used most frequently are diabetes, chronic obstructive pulmonary disease

(COPD), congestive heart failure (CHF), obesity, smoking addiction, wound care, and hypertension.



In its analysis, OCS further determined that patients with disease management conditions were less profitable (yielded lower net revenue) than patients without such conditions. In cases where an agency's profit margin for patient care is lower, there is far less "margin for error" under a P4P model. These findings underscore the importance of seeking more effective treatment models-- particularly if, at some time in the future, agencies' Medicare payments will be based on how well their patients fare under their care.



Twiss pointed out that there also is considerable outcome variability for certain patients in home care. For instance, when examining care for patients with a particular diagnosis (CHF in this case) across several agencies in one state, OCS found wide variation in the number of hospitalizations (anywhere between 28

and 43 percent of patients) and use of emergent care (between 23 and 41 percent of patients)--both being less-than-favorable outcomes.

Similarly, when examining care for diabetes patients, OCS found the percentage of hospitalized patients was as low as 11 percent at one agency and as high as 28 percent at another. Use of emergent care ranged anywhere from 1 percent of patients with diabetes at one agency up to 35 percent of diabetes patients at another.

This outcome variability indicates that home health agencies can be at financial risk in a P4P reimbursement model. A disease management approach to patient care, said Twiss, could achieve some consistency in patient outcomes and lead to a reduction in that risk.

Twiss concluded her presentation with a word of caution about some of the challenges ahead if policymakers determine that a pay-for-performance model is appropriate for Medicare home health services, including issues related to risk adjustment, what types of patients to include, and how agencies will be scored (and paid). She provided the following advice for agencies wishing to prepare for use of disease management methods and P4P:

- Educate yourself and your management team about these trends.
- Know and understand your relative performance for specific diseases and conditions (outcomes and profitability).
- Objectively measure and understand the efficacy of various interventions on those conditions.
- Understand your local market.
- Challenge assumptions.