



# /STATE OF THE INDUSTRY 2019

Financial Condition and Trends in  
Home and Community-based Care

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## /Introduction

Hundreds of thousands of individuals and their families rely on the home care system for vital care and support across widely ranging conditions and needs. These services treat major medical and recovery needs to keep patients safe, medically stable, and healthy at home in the absence – or in the necessary avoidance – of higher-cost care. New York State’s home care system is a vital part of the health care continuum, providing cost-effective and critical care to patients where they are and want to be – in their own home.

The continued under-reimbursements of home care and hospice providers, as well as their contracted Managed Long Term Care plans, are taking a toll on the financial capacity and sustainability of these entities. This negatively impacts the overall health and independence of patients and communities relying on home care services to help avoid unnecessary and costly facility-based care.

Similar trends exist across the continuum of community based-services in New York State, a system that is funded substantially by government payors, including the state’s Medicaid program, which covers 87% of home care and personal care services. Given home care’s pivotal role in New York’s health care landscape, HCA has undertaken a rigorous examination of the home and community-based system’s current financial profile, its experiences with new models of care, its workforce pressures, and other trends that demand attention and support in the state budget and legislative arenas.

## /Program Analysis and Methodology

For this report, HCA examined independently verified Medicaid data reports for all home care, hospice and Managed Long Term Care plans in the state, along with some national data sources. These reports include Medicaid Statistical Reports, Cost Reports, Medicaid Managed Care Operating Reports, as well as United States and New York State Department of Labor Employment Projection Reports, and others.

In late 2018 and early 2019, HCA also conducted a survey of 55 home care agencies in New York state representing a cross-section of agency and service demographics. Our average survey respondent had an FTE of 237 for Certified Home Health Agencies (CHHAs) and an unduplicated patient count of 3,002 for Licensed Home Care Services Agencies (LHCSAs), representing tens of thousands of service cases in total. These survey responses help gauge other trends affecting these providers and plans, not otherwise available in state-mandated reports, from their experience with staff recruitment and retention issues to their participation in new models of care.

## /Overall Service and Financial Profiles



500,000

approximate  
number of  
patients/families  
served by NY's  
home care system.



87%

of home care &  
personal care  
services covered  
by NY's Medicaid  
program.



29%

of home health  
agencies having to use  
a line of credit, or  
borrow money, to pay  
for operating expenses.

## 58 days in Accounts Receivable

Average home care Accounts Receivable days outstanding. (Accounts Receivable represents the money owed to any entity from outside sources, including Medicaid payors.)

Top four impacts on home care agency costs:

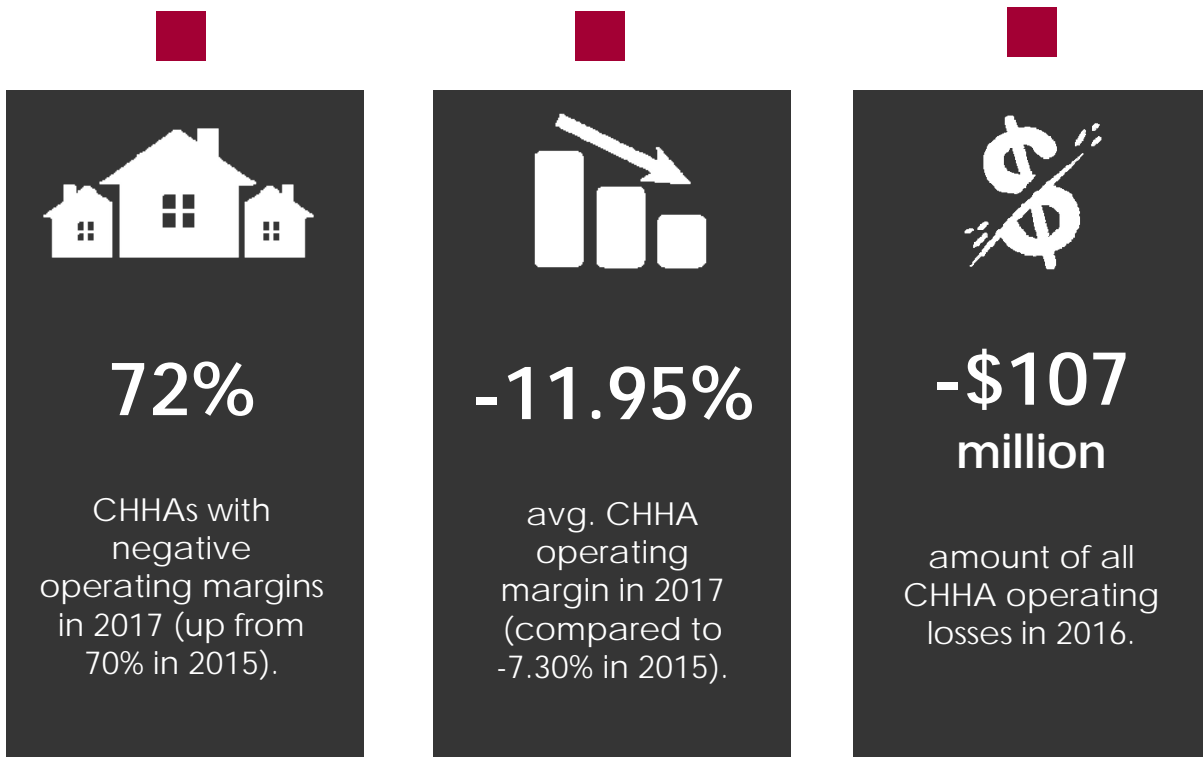
1. Recruitment and turnover-related costs
2. Employee benefits
3. Statutory wage mandates
4. Billing/Administrative expenses associated with trying to get paid



## /CHHA Profile

New York's 129 Certified Home Health Agencies (CHHAs) provide skilled professional and home health aide services in a patient's home under a physician's order. These agencies directly participate in Medicaid, Medicare and other payment systems. **They provide: cost-effective hospital after-care that prevents re-hospitalizations; chronic-disease management; maternal-newborn care; complex wound care; therapies; aide supports for the elderly; falls-prevention; medication management; public health services; and more.**

**Over 61%** of a CHHA's Medicaid service volume is through contract with managed care plans, with both CHHAs and their MLTC partners experiencing negative operating margins due to chronic under-reimbursement coupled with uneven rate adjustments and distributions from the state to cover costs.

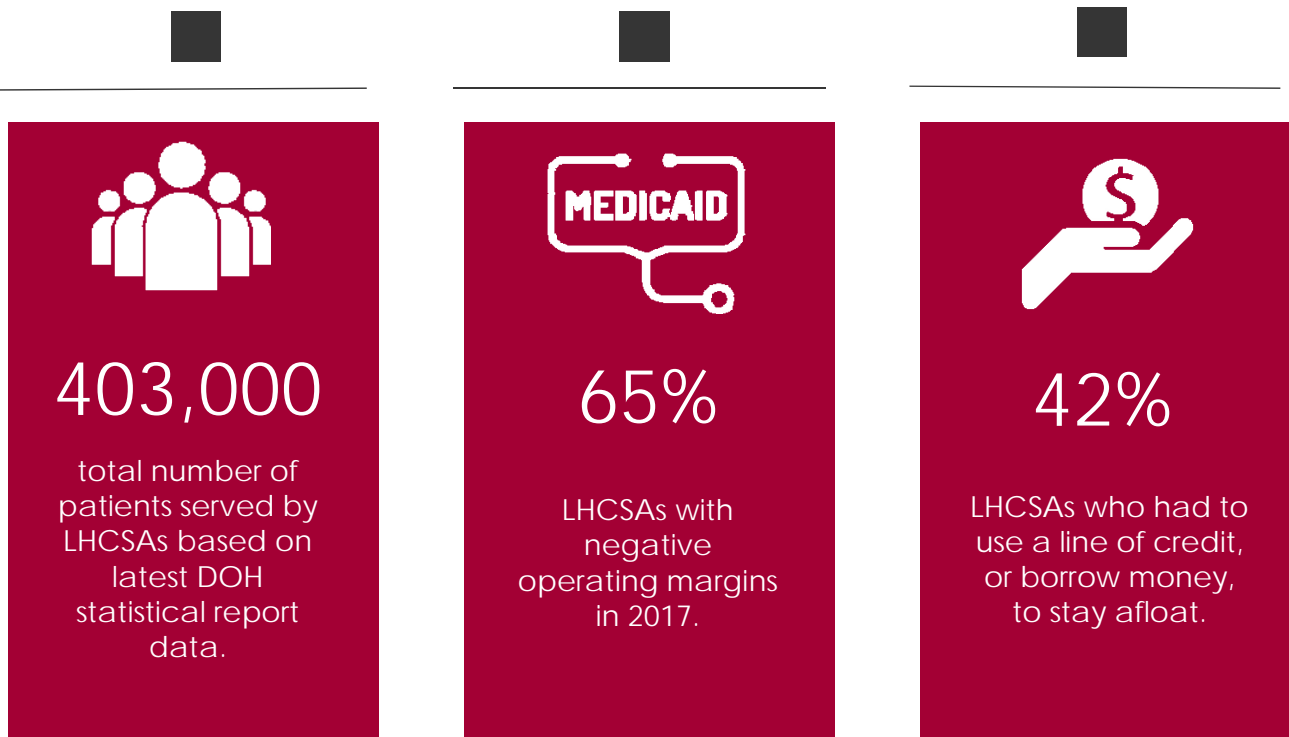


## /LHCSA Profile

Licensed Home Care Services Agencies (LHCSAs) provide nursing, home health aides and personal care aides to clients. Of all community-based entities, LHCSAs have the most direct responsibility for recruiting, training, retaining and supervising thousands of home health and personal care aides, substantially in contract with managed care plans. This means that **they are especially susceptible to labor-related costs, mandates and other pressures, such as:**

- **inadequate minimum wage and wage parity funding,**
- **overtime expenses,**
- **uncertainties stemming from litigation and state policies governing wage levels for 24-hour home care, and**
- **competition from other sectors or industries for maintaining a qualified workforce to support the assistive needs of the elderly, persons with disabilities and other recipients.**

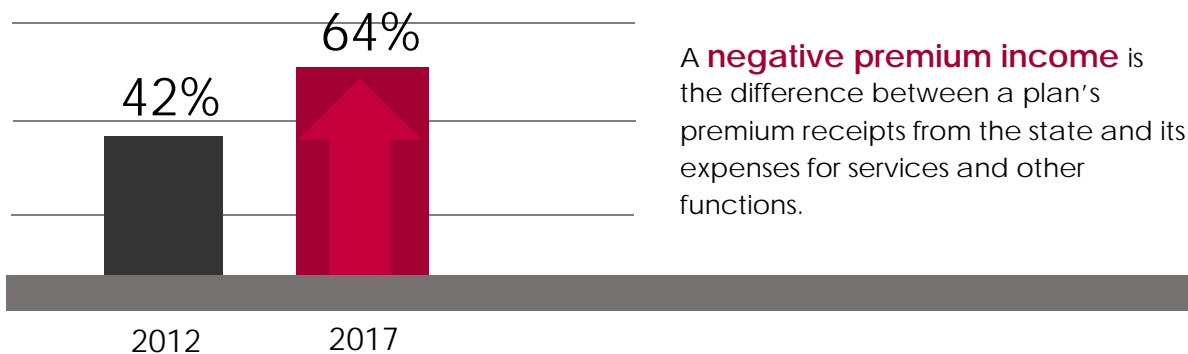
They've also faced new costs in 2018 to comply with limits placed on how many LHCSAs may contract with MLTCs.



## /MLTC Profile

Managed Long Term Care (MLTC) plans **serve more than 200,000 patients under contract with CHHAs, LHCSAs, and other providers.** Dual Medicare-Medicaid long term care patients are **required** to enroll in MLTC, in which New York State stakes the vast majority of the community based long term care system in conjunction with provider partners. MLTCs receive Medicaid per-member per-month (PMPM) premium payments from the state and, in turn, manage the billing, service authorization, care planning and payment functions for long term care enrollees in concert with their network providers. Premium rate shortfalls from the state have resulted in several recent MLTC plan closures, as well as the migration of Medicaid enrollees and services to other plans and providers. Overall, the state's rate shortfalls have caused fiscal instability across the entire home and community-based continuum, as plans and their network contractors (CHHAs, LHCSAs) alike shoulder operating losses amid growing demand.

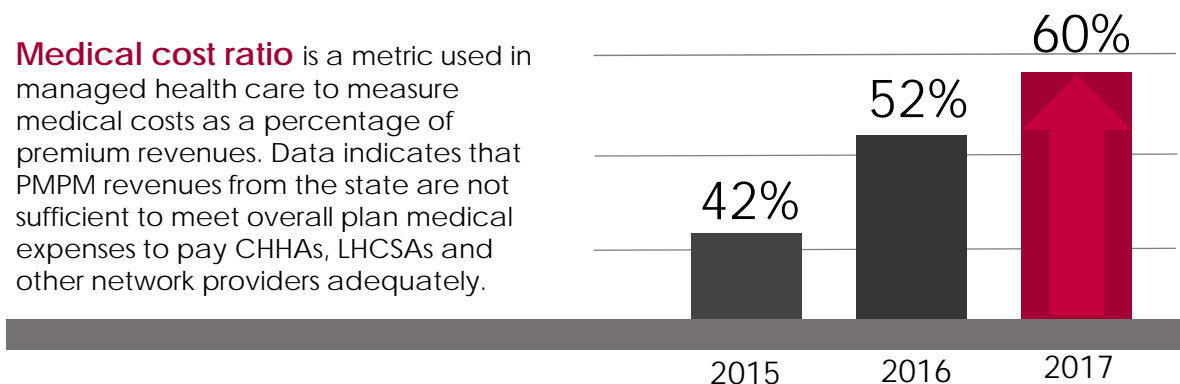
### Percent of MLTC Plans with Negative Premium Income



A **negative premium income** is the difference between a plan's premium receipts from the state and its expenses for services and other functions.

### Percent of Medical Expense Ratios over 90%

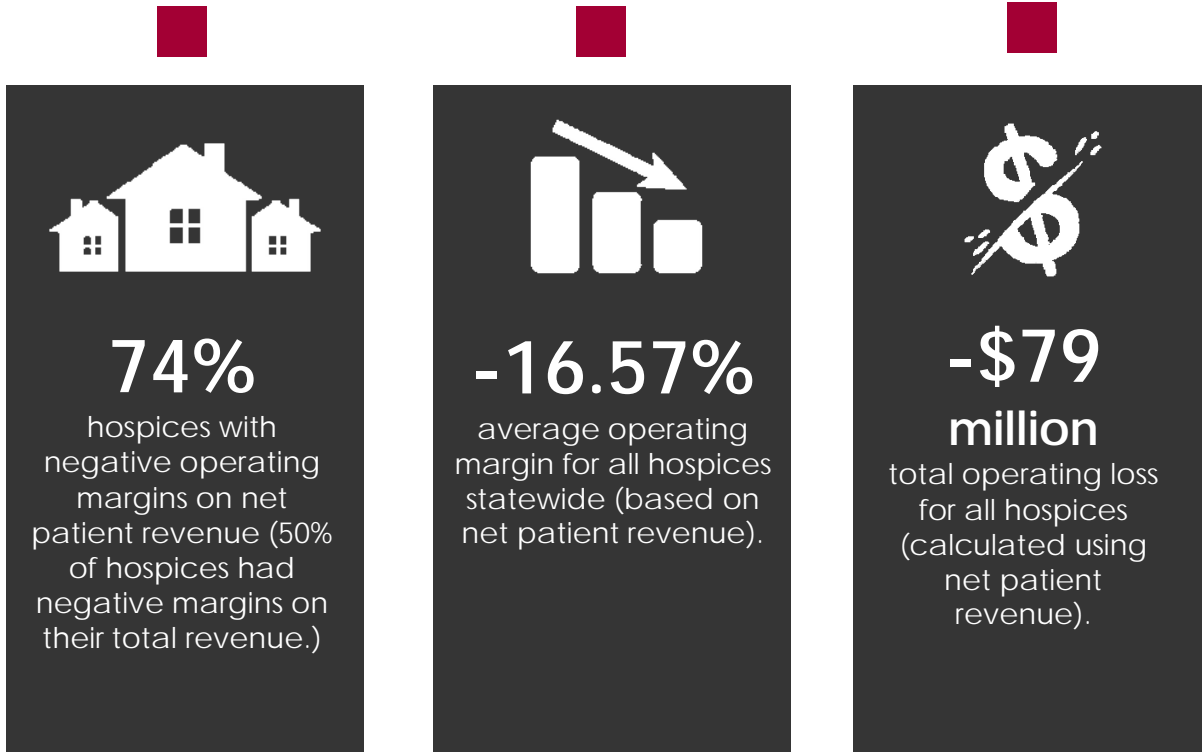
**Medical cost ratio** is a metric used in managed health care to measure medical costs as a percentage of premium revenues. Data indicates that PMPM revenues from the state are not sufficient to meet overall plan medical expenses to pay CHHAs, LHCSAs and other network providers adequately.



## /Hospice Profile

Hospices serve over **47,000** patients annually, specializing in the provision of comfort care for individuals (children, adults, the elderly) with life-limiting conditions and advanced illnesses. Hospices receive 4.3% of their total revenue from Medicaid, while Medicare revenue represents 86.7% and other insurer revenue represents 9%. While the Medicaid percentage is proportionally small in New York, hospice for dual-eligible patients is substantially served under Medicare. These are dollars that would otherwise accrue to **Medicaid and thus represent a Medicaid offset or savings**. Hospice utilization and length-of-stay rates in New York State are well below national rates, and this suggests that further proactive policy to incentivize hospice participation will support quality of life and a cost savings to the state.

Hospices are a vital component of the health care system, providing end-of-life services wherever the patient resides, whether at home, in a skilled nursing facility, a hospital, or other. Yet New York's Medicaid hospice benefit is underutilized, and the vast majority of hospices are struggling financially.



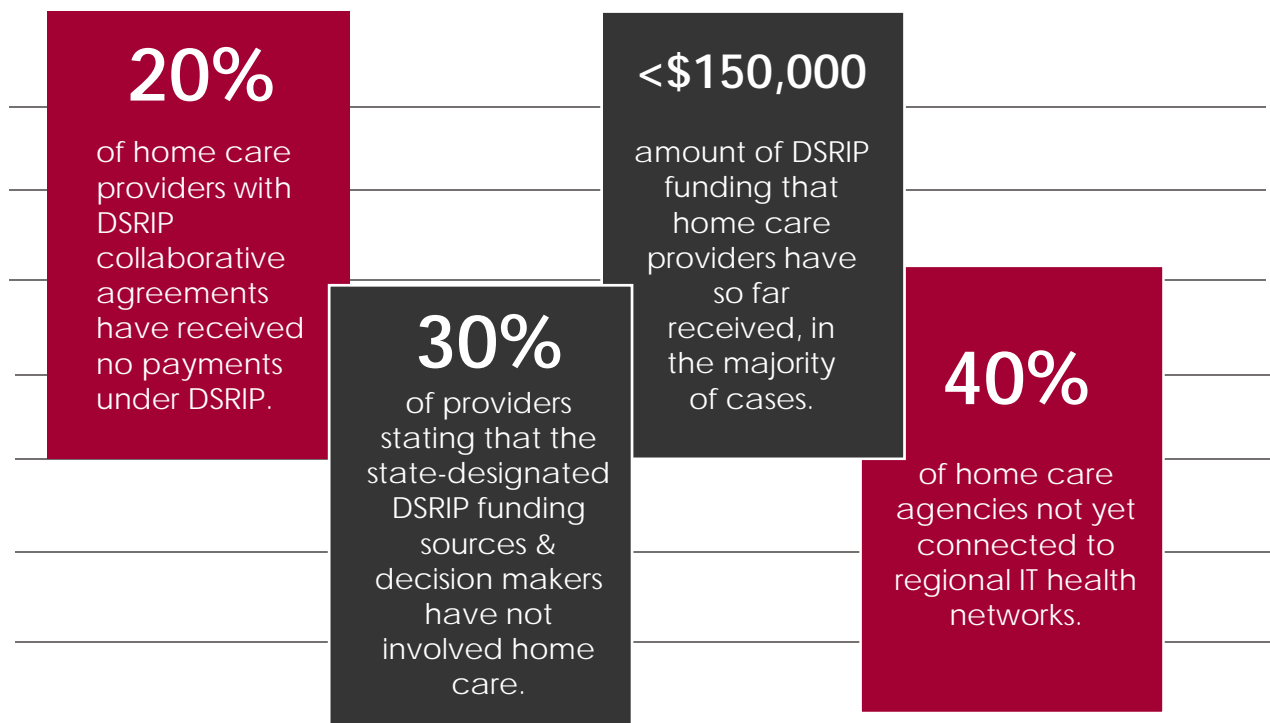
# /Home Care Infrastructure and Delivery Reform Participation

The state's infrastructure investment regime for health care has leveraged billions of dollars through waivers (i.e. DSRIP, state and federal capital funds) and other arrangements, like the windfall funds negotiated from the for-profit conversion of Fidelis Health Care in its acquisition by Centene.

However, these dollars have almost exclusively flowed to hospitals and other programs with the state leaving home care almost invisible in the DSRIP structure. Despite the active initiative of home care to engage with DSRIP, providers find that the DSRIP structure is not responsive to their role and expertise despite home care serving as the very backbone of DSRIP's goals to reduce hospitalizations by 25%.

With no other means or funding for home care infrastructure, these programs should be more definitively connected for critical home care need.

Health IT integration, for example, is essential for the sharing of electronic medical records with home care partners. It can be a game-changer for the fluid transmission of data: health care system encounters, hospital discharge clinical information, and other information that supports the home care system in its ability to act on transitions in care. Without investments, home care providers are significantly limited in their ability to meaningfully participate in the overall health system infrastructure and delivery reforms.







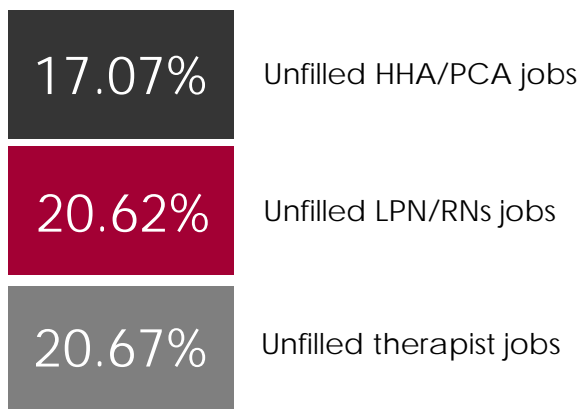
# /NY Home Care Workforce Trends and Patient Care

Home care faces a workforce crisis at a time of growing demand and projected need for home care services. Workforce shortages result in vacancies and costly staff turnover. HCA's home care provider members rank "recruitment and turnover-related costs" as the top contributor to their overall cost increases, which is notable given all of the regulatory-related and other cost impacts on home care.

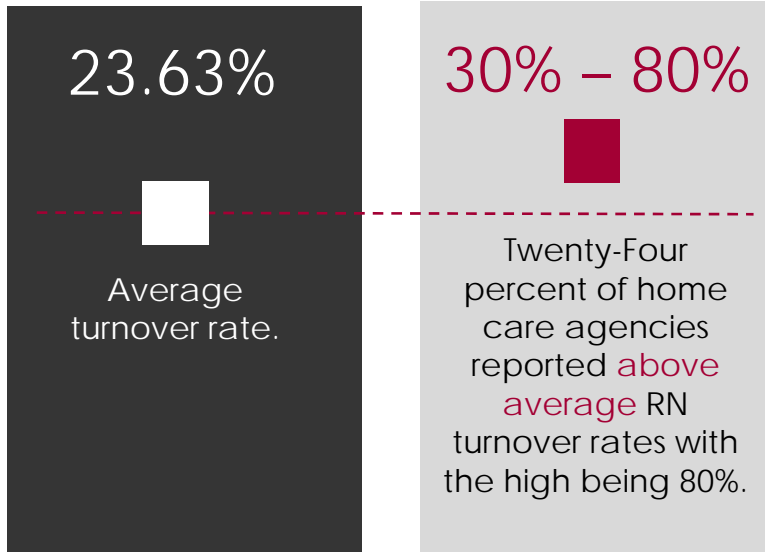
Providers invest untold sums into recruiting staff, training and orientation, providing peer support for the unique challenges of in-home care provision, supervision and task management, compliance activities and more that can grow many-fold in direct proportion to an agency's turnover and vacancy rate. These HR activities are especially necessary for home care, given its remote practice settings that require specialized training, competencies and tasks.

Most concerning are the patient care impacts: Workforce vacancies and time spent on turnover-related training or supervision all command resources and generate constraints for access-to-care, such as delays in initiating services or limits on admitting new home care cases.

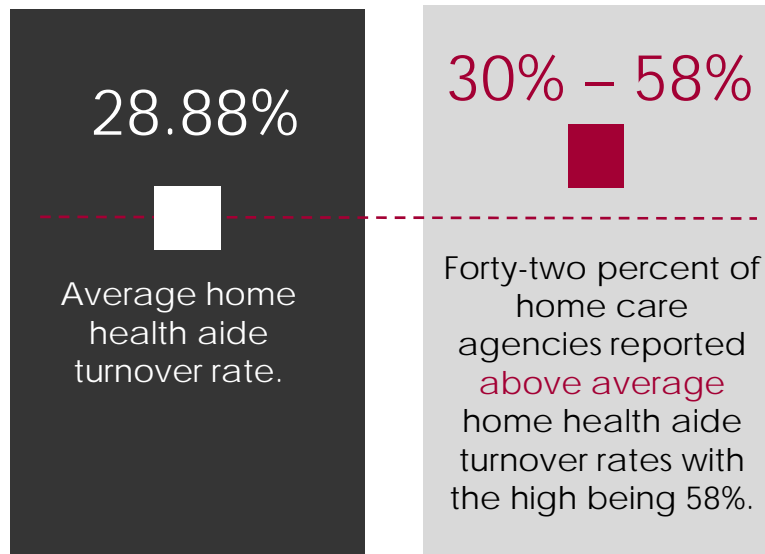
**/Below are the average percent of unfilled in-home direct-care positions due to staff shortages**



## /Registered Nurse/Professional Turnover Rates



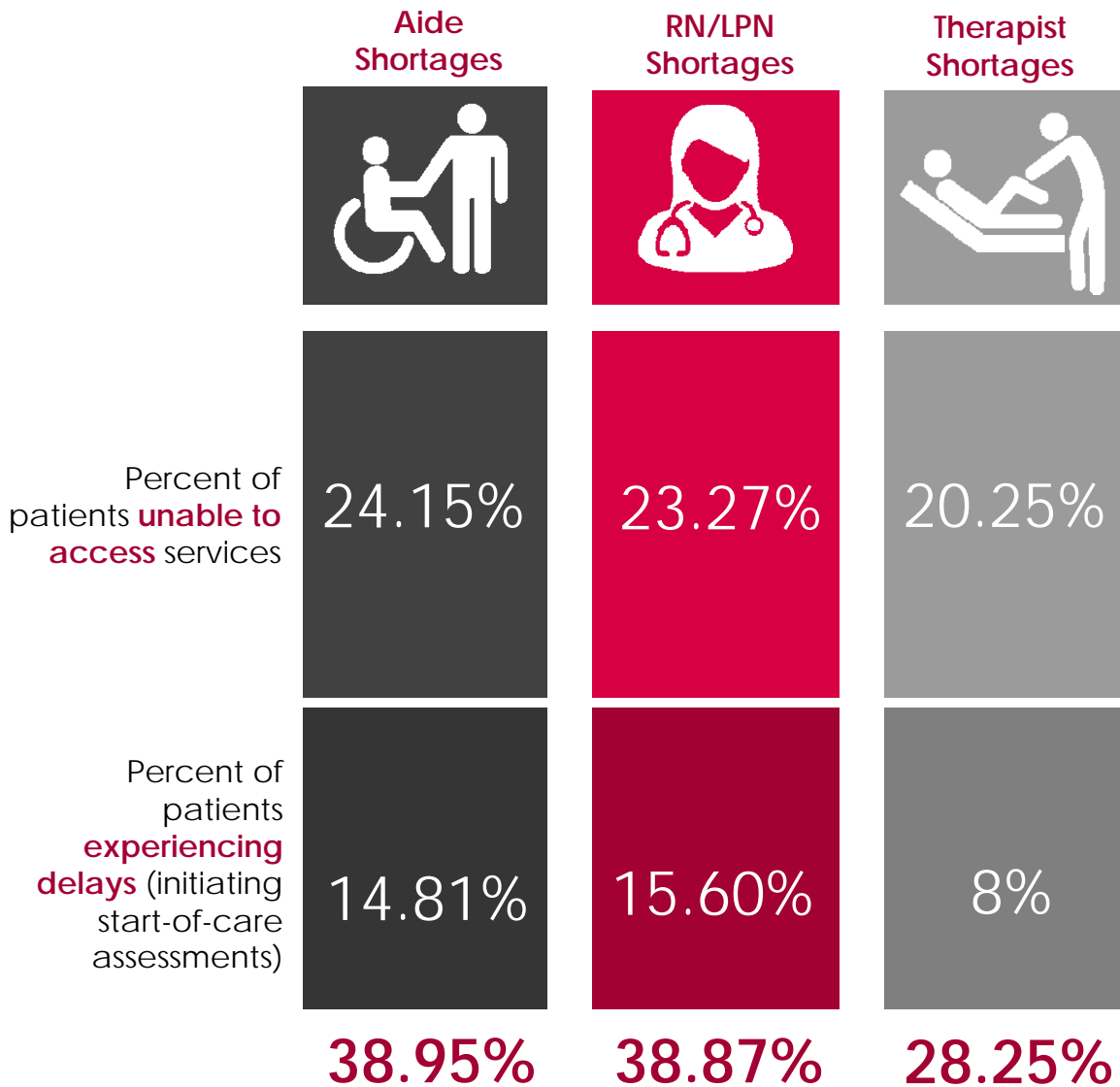
## /Home Health Aide Turnover Rates



## /The most common reasons for staff turnover:

- "Staff leaves for other sectors"
- "Staff finds higher pay elsewhere"
- "Paperwork and regulatory burden"

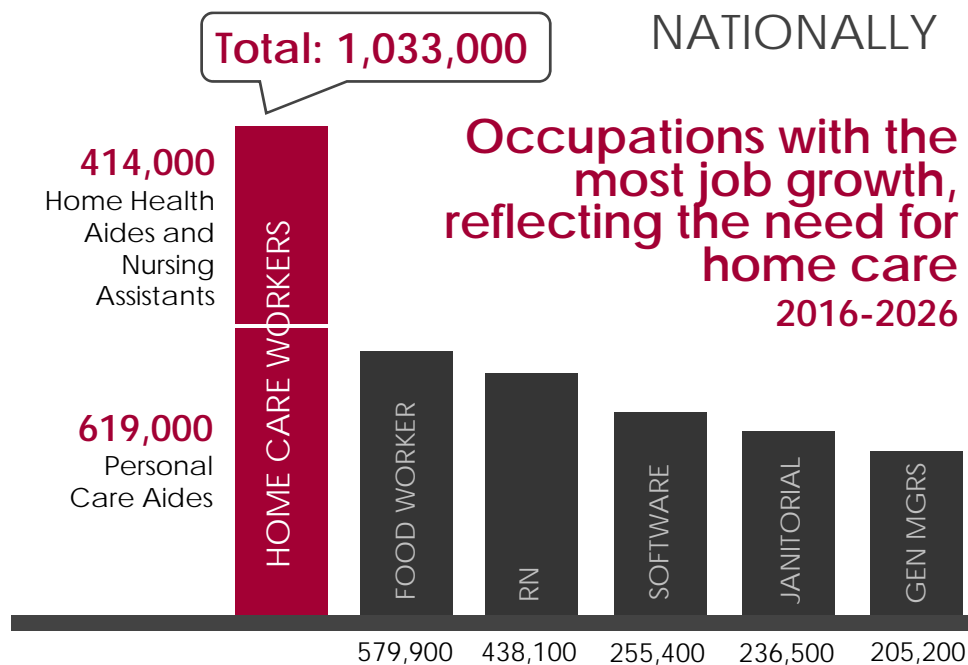
## /Average percent of monthly home care patients that are unable to access services due to **labor shortages**:



## /Home Care Workers in High Demand but Short Supply

According to the United States Bureau of Labor Statistics (BLS) Employment Projections Program, **home care ranks among the top 10 fastest-growing occupations in the United States.**

From 2016-2026, the growing need for home care workers is projected to add more jobs than any other single occupation in the United States. This includes over 190 thousand home care jobs in New York State, equal to a 40% growth rate over ten years.



### NEW YORK STATE

Employment projections taken from the NYS Department of Labor's 2017-2019 Short-term Occupation Projection Report

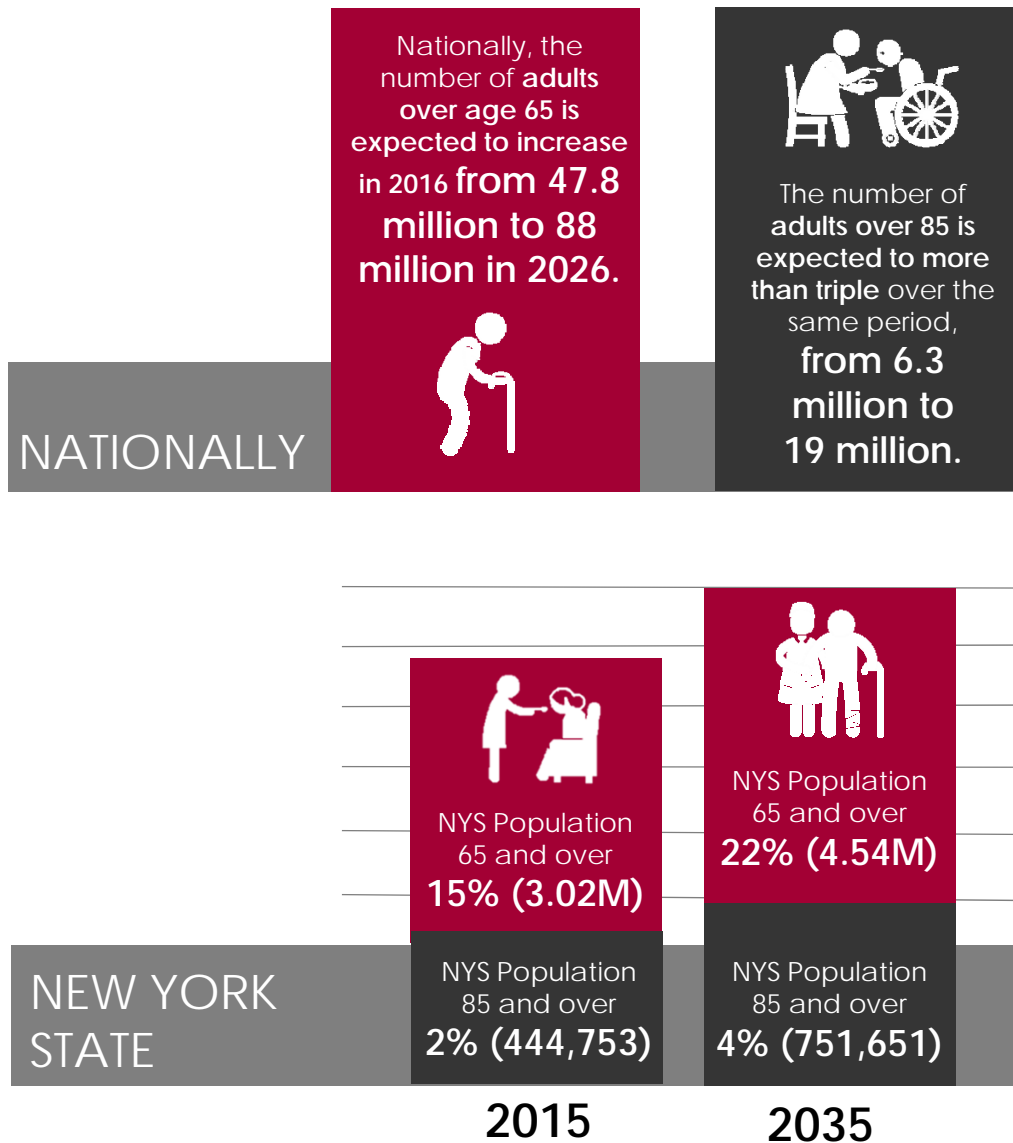
**Healthcare Support Occupations**  
 the #1 fastest growing short-term occupation from 2017-2019, growing at a rate of 8.2%.

From 2017-2019, the **Home Health Aide Occupation** grew 13.5% and **Personal Care Aide** grew 8.4%

Sources: <https://www.bls.gov/opub/mir/2017/article/projections-overview-and-highlights-2016-26.htm>  
<https://phinational.org/policy-research/workforce-data-center/#var=Employment+Projections&states=36>

## /Demographics and the Growing Demand for Home Care Workers

The growing population of adults over 65 is a driving force for a rise in home care worker employment.



Sources  
<https://phinational.org/resource/the-direct-care-workforce-year-in-review-2018/>

## /Conclusion

Support for home care infrastructure has been extremely limited in recent years, largely confined to purposes of facilitating consolidation within the industry. Despite this challenging road, home care providers play and seek meaningful contributions to the goals of value-based payments, the Delivery System Reform Incentive Payment (DSRIP) program and other state-sponsored care models. Providers are launching innovative programs aimed at achieving state and federal outcomes to reduce rates of hospitalization, emergency department visits and readmissions, and improve the care experiences of at-risk populations in practical, cost-saving ways.

In order for home care providers to meet the growing demand for care and contribute to statewide health care transformation efforts, adequate access to statewide funding is imperative. Adequate funding is the key to preserving the long-term sustainability of this critical component of New York's health care continuum.

HCA's 2019 State of the Industry report validates the need for statewide policy support and a commitment to providing essential resources to help providers meet baseline needs. HCA requests support from the state to achieve the following:

- A commitment from the state to provide the resources necessary for financial and organizational stability and sustainability for providers and plans to develop and maintain a skilled workforce supplemented through technological and infrastructure investments.
- Sustainable state funding in order for home care providers and MLTC plans to adequately meet statutory wage and other obligations.
- Support for effective utilization of home care and hospice services related to prevention, primary care and public health through active promotion of improved health and savings generated by home care interventions for chronic conditions like: sepsis, high risk maternal and neonatal care, asthma, diabetes, falls, pressure ulcers, palliative care and more.

During the 2019 State Legislative Session, HCA is committed to advancing a set of concrete policies that are aligned with the goals above that are cost-effective and mindful of the needs of patients.

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