HCA
HOME CARE ASSOCIATION
OF NEW YORK STATE

STATE OF THE INDUSTRY 2020

Financial Condition and Trends in Home and Community-based Care

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Home and community-based care is interwoven and integral to the functioning of all services and programs within Medicaid – a program covering over 6 million lower-income New Yorkers – making these vital services especially susceptible to changes in Medicaid financing and program restructuring.

As a primary setting for health and chronic-disease management, home and community-based care providers assume responsibility for serious rehabilitation, instrumental or skilled nursing care needs of patients – like infection control, post-surgical wound care and medication management – when individuals are discharged from the hospital. As hospitals look to manage length-of-stay costs, these patients are often sicker or more at risk for complications during their discharge than in the past. Medicaid is also the sole foundation for comprehensive long term in-home care for the frail elderly and persons with disabilities.

At a time of increased care-management and service responsibilities, newly imposed cost pressures, and reimbursement volatility, home and community-based providers face an unsustainable fiscal condition that is systemic and pervasive. The vast majority of programs are reporting losses or negligible margins, according to HCA's analysis.

These financial trends have prompted major program reductions or closures over the past year. Continued cuts and under-reimbursement would fundamentally threaten the long-term viability of services that support the medical, assistive and rehabilitation needs of more than 800,000 New Yorkers. Such threats are also avoidable through productive measures that can control utilization, allow for more flexible management of service options, and maximize coverage by other, non-Medicaid payors that have dual responsibility, as HCA has proposed.

Program Analysis and Methodology

For this report, HCA examined Medicaid data reports that are certified-to-the-state 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 2019 and early 2020, HCA also conducted a statewide survey, with responses from 62 home care agencies in New York state, representing a cross-section of agency and service demographics. These survey responses help gauge other trends affecting these providers and plans, not otherwise available in state-mandated reports, including their experience with staff recruitment and retention issues.

Overall Services and Financial Profiles

833,000

patients are served by home care and hospice providers in NYS annually

86%

of home care and personal care services are covered by NY's Medicaid program

32%

of home care agencies had to access a line of credit, or borrow money, to pay for operating expenses in 2019

Top factors that impact home care agencies' costs:

1. Statutory wage mandates
2. Recruitment and turnover-related costs
3. Employee benefits
4. Technology investments

69 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.

Certified Home Health Agencies

New York's 116 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.

CHHAs 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 63% 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.

67%

of CHHAs with negative or negligible operating margins in 2017

-14.78%

average CHHA negative operating margin in 2017

-$54.3 million

amount of all CHHA operating losses in 2017

Licensed Home Care Services Agencies

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 and under contract with Certified Home Health Agencies (CHHAs). 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;
- 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; and
- unreimbursed costs for employee benefits, including health, sick, vacation, Paid Family Leave, Workers' Compensation, etc.

403,000

patients are served by LHCSAs, based on latest DOH statistical report

-10.39%

average LHCSA negative operating margin in 2019

50%

of LHCSAs had to use a line of credit, or borrow money, to stay afloat in 2019

Hospice Profile

Hospices serve over **48,000** **patients annually, specializing in the provision of comfort care for individuals (children, adults, the elderly) with life-limiting conditions and advanced illnesses.** Hospices receive 3.8% of their total revenue from Medicaid, while Medicare revenue represents 88% and other insurer revenue represents 8.2%. 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 potential 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.

74%

of hospices have negative operating margins on net patient revenue (50% of hospices had negative margins on their total revenue)

-16.57%

average operating margin for all hospices statewide (based on net patient revenue)

-$79 million

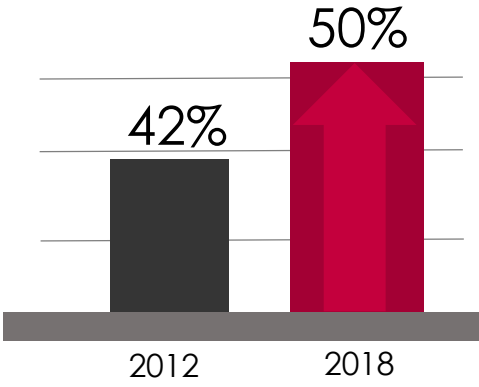
total operating loss for all hospices (calculated using net patient revenue)

Managed Long Term Care Plans

Managed Long Term Care (MLTC) plans **serve more than 250,000 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.

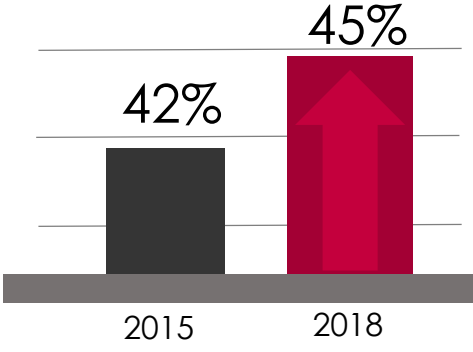
Premium rate shortfalls from the state have resulted in several recent MLTC plan closures, as well as the migration of Medicaid enrollees and services to other plans and providers. Overall, the state's rate shortfalls have caused fiscal instability across the entire home and community-based continuum, 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.

Home Care Workforce

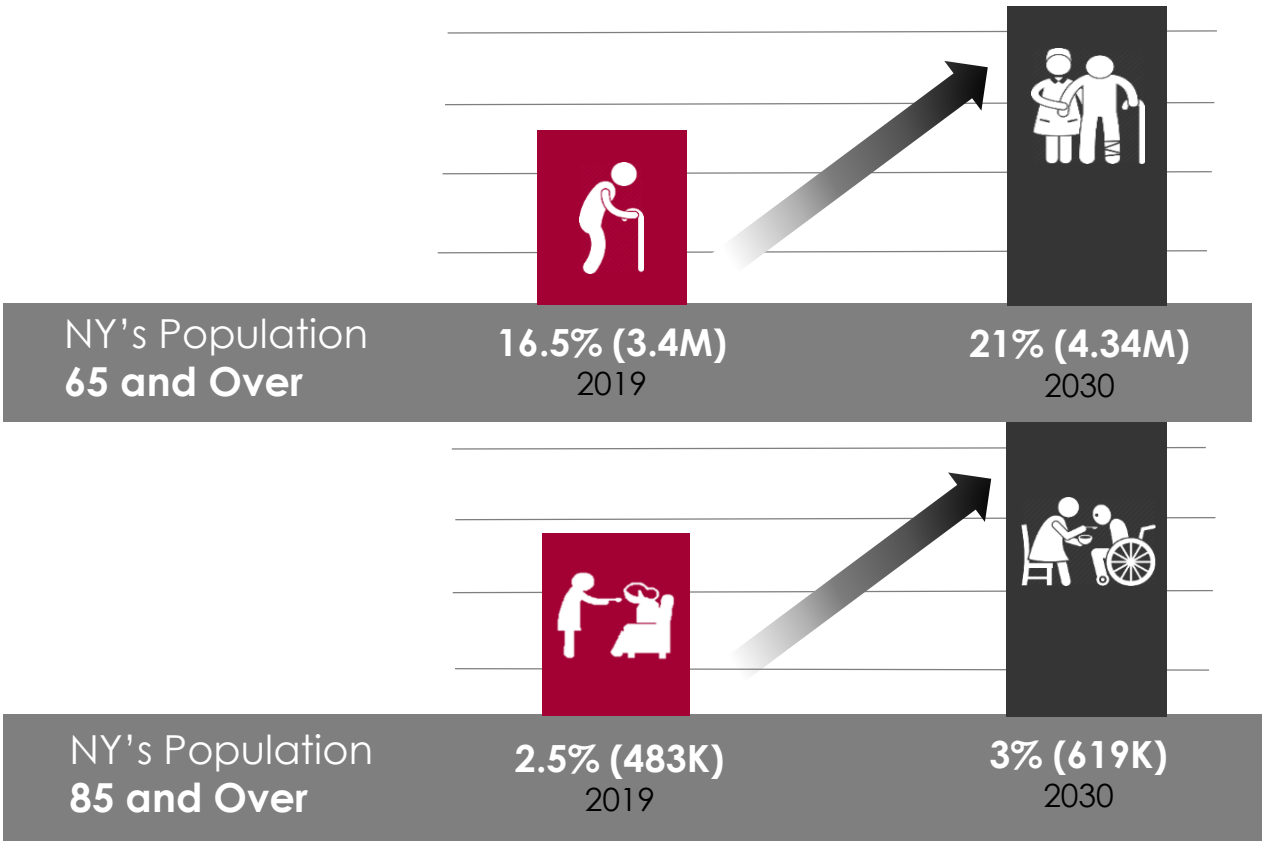
In High Demand but Low Supply

While the home care workforce may be growing, it is far outpaced by the double-digit percentage increases in New York's aging population. Absent policy mechanisms to better align these patterns, providers shoulder the heavy and necessary challenge of managing staff vacancies and turnover, which imposes incredible productivity pressures and unreimbursed costs, in turn further straining the workforce.

Among the direct costs are lost patient service capabilities, as well as other "hidden" or indirect costs, such as a greater occurrence of supervisory, retraining or other administrative functions which are a necessary part of home care personnel management, though greatly exacerbated by staff turnover.

New York's Aging Demographics

Over the past decade, the number of New York's residents aged 65 and over has grown **26%,** compared to an overall population that grew just **3%** over the same period. Nearly **one in six** New Yorkers are now aged 65 and over. The growing population of adults over 65 is driving the need for home care workers.



Source: Cornell University County Projection Explorer https://pad.human.cornell.edu/counties/projections.cfm

Workforce Trends & Turnover Rates

RN & Professional

20.32%
Average turnover rate

23% of home care agencies reported turnover rates **above 30%** for RNs, with the high being **63%**

Home Health Aide

28.56%
Average turnover rate

36% of home care agencies reported turnover rates **above 30%** for HHAs, with the high being **62%**

Average percentage of unfilled home care positions

Due to staffing shortages

23.10%	21.03%	13.50%
Unfilled HHA/PCA jobs	Unfilled LPN/RN jobs	Unfilled Therapist jobs

Most common reasons for staff turnover

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

The Future of the Home Care Workforce

According to the United States Bureau of Labor Statistics (BLS) Employment Projections Program, **home health aides and personal care aides rank among the top 10 fastest-growing occupations in the U.S.**

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 **190,000** home care jobs in New York State, equal to a **40%** growth rate over ten years.

The number of Home Health Aides will grow **52.4%** by 2026

190,000 new home care jobs will be needed in New York State over the next 10 years

The number of Personal Care Aides will grow **40.6%** by 2026

Healthcare Support Occupations are projected to grow **35.3%** by 2026 and are considered **the fastest growing** employment group in New York State.

Source: Employment projections taken from the NYS Department of Labor's 2016-2026 Long-term Occupational Employment Projections https://www.labor.ny.gov/stats/lsproj.shtm

According to the U.S. Bureau of Labor Statistics the Healthcare Support Occupation labor group (31-0000) is comprised of Home Health Aides; Psychiatric Aides; Nursing Assistants; Orderlies; Occupational Therapy Assistants; Occupational Therapy Aides; Physical Therapist Assistants; Physical Therapist Aides; Massage Therapists; Dental Assistants; Medical Assistants; Medical Equipment Preparers; Medical Transcriptionists; Pharmacy Aides; Veterinary Assistants and Laboratory Animal Caretakers; Phlebotomists; Healthcare Support Workers; and All Others.

Conclusion

Consistent with past HCA reports, the vast majority of home and community-based programs are operating at losses or negligible margins. These trends have already precipitated major, destabilizing withdrawals of entire organizations from the Medicaid program in recent years due to unmanageable financial impacts. Many more programs are vulnerable.

The fiscal pressures facing New York's Medicaid budget are rightfully an area of concern that HCA readily shares. However, state policymakers should not overlook other correlative trends impacting home and community-based services. These include increased care and cost responsibilities. Indeed, New York State has made a purposeful decision to confer responsibility of care to MLTC plans and their network providers for some of New York's most vulnerable populations. The state has also increased minimum wage thresholds in the rightful aim of supporting the critical home care workforce. Yet state Medicaid funds for providers and plans to meet these obligations and responsibilities have fallen short while nevertheless adding to the state's budget pressures.

HCA has advanced a series of proposals to offset costs that would support necessary resources for the viability of home and community-based services. These include the following:

- Lower state Medicaid spending first by optimizing Medicare-Medicaid coordination and usage; ensure full entitled Medicare coverage for service payments currently defaulting to Medicaid;
- Improve cost controls and system efficiencies; and
- Leverage savings from home care intervention in high-cost, high-risk and complex care areas.

For each of the above, HCA has developed specific recommendations. All of these meet the Governor's tests for the MRT: zero impact on local governments, zero impact on beneficiaries, finding industry efficiencies, and supporting system integrity. To this charge we add another: assure the viability of providers meeting the needs of beneficiaries, programs and services.

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