



STATE OF THE INDUSTRY 2021

Financial Condition and Trends of Home and Community Based Care in New York State



About this Report

Overview

This report offers a comprehensive analysis of home care and hospice finance, service and workforce trends in New York State at an unprecedented moment: during a global health pandemic besieging health care operations while precipitating an historic Medicaid budget shortfall that further threatens access to services.

Our analysis brings together data from a variety of sources to present general findings as well as profiles for each of the various organization types that comprise the ecosystem of home and community-based services in New York State. These organizations include:

Home care and hospice providers who directly provide services, in coordination with Managed Long Term Care plans (for the long-term care Medicaid population) and other managed care payors, as well as directly under fee-for-service (FFS) programs, such as Medicaid and Medicare. They employ nurses, therapists, social workers and others who provide home care services. Providers include **Certified Home Health Agencies (CHHAs)**, **Licensed Home Care Services Agencies (LHCSAs)**, and **Hospices**.

Managed Long Term Care (MLTC) plans, which manage the billing, service authorization, care planning and payment functions for much of the Medicaid home care system. They receive per-member per-month (PMPM) Medicaid premium rates for performing this function, and contract with network providers who deliver services to recipients of long term care.

Viewing Our Data Sources

All data sources can be found by selecting the 'o' icon found next to the corresponding data point.

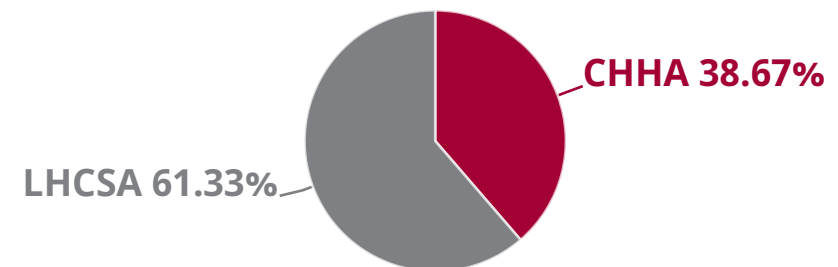
Analysis and Methodology

HCA conducted a statewide survey in late 2020 and early 2021, with responses from 75 home care agencies in New York State, representing a cross-section of agency and service demographics. Information gathered from providers included data from the new 2019 Medicaid Home Care Cost Report, not yet made available by the New York State Department of Health. The survey also asked questions to help gauge other trends affecting these providers and plans, including their experience with staff recruitment and retention issues.

HCA also examined Medicaid data reports that are certified to the state for all home care, hospice and Managed Long Term Care plans in New York, along with some national data sources. These state reports include the 2018 CHHA Medicaid Cost Report, the latest available LHCSA Statistical Report and Medicaid Managed Care Operating Reports (MMCOR), as well as United States Bureau of Labor Statistics and New York State Department of Labor Employment Reports, and others.

HCA 2020-21 Survey Respondent Profiles

< Respondent Breakdown by Agency Type ▾ >



About Home and Community Based Care in New York State

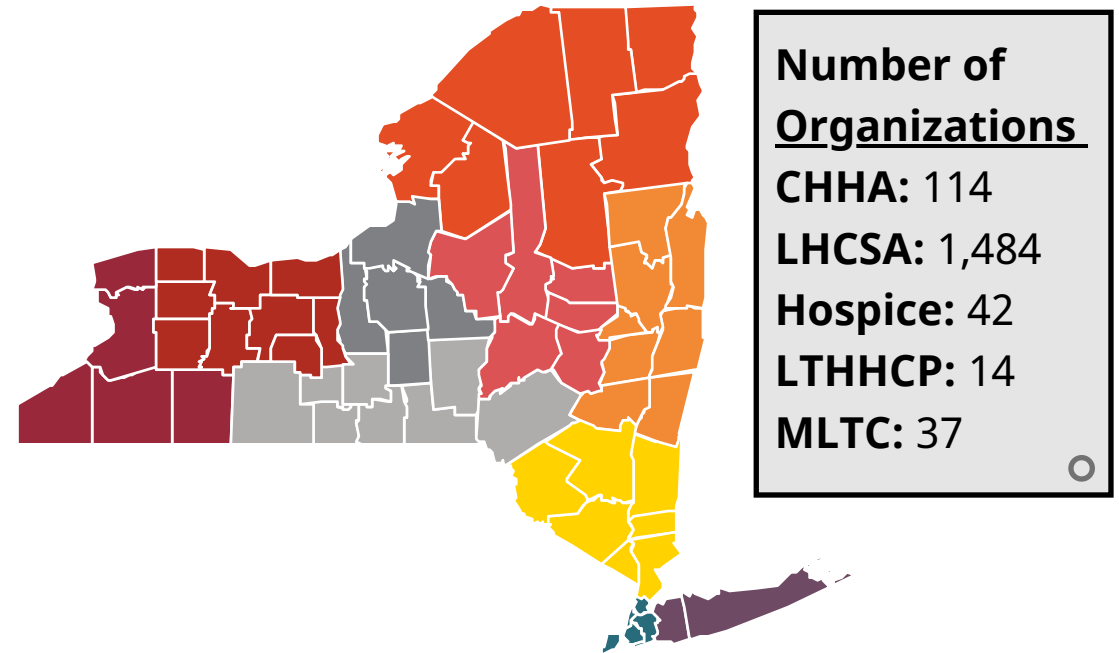
Over 700,000 New Yorkers receive home care and hospice services annually. These services — delivered by state and federally licensed or certified providers — support the needs of individuals across the spectrum of care, from older adults, to maternal and infant cases, persons with disabilities, the chronically ill, and individuals with terminal illness.

Home care and hospice avoid unnecessary health care costs while providing care in the setting that 90% of patients most prefer. Through home care, individuals can achieve independence safely at home, often as an alternative to nursing home care. In-home supports also help patients recover from or avoid illness, reducing the need for more extensive hospital care and hospital volume. Home care also delivers primary and preventive care, including public health services essential to a pandemic response.

Home care services may include home health aide or personal care aide assistance, professional therapies or rehabilitative care, nursing, social work, assessment and care management.

These services are substantially covered by state and federally sponsored programs, and too little by mainstream health plans. As a result, home care and hospice are especially susceptible to reductions in safety-net programs, like Medicaid, which covers populations with some of the most complex and costliest health conditions who otherwise would go without care.

As our report shows, 55% of all home health agencies are estimated to have a negative operating margin in 2019, the most recent year of data available — well before the impact of the COVID-19 pandemic.



Over **700,000** patients are served by home care and hospice providers annually.

There are **444,880** home health and personal care aides.

55% of all home care agencies are estimated to have had a negative operating margin in 2019.

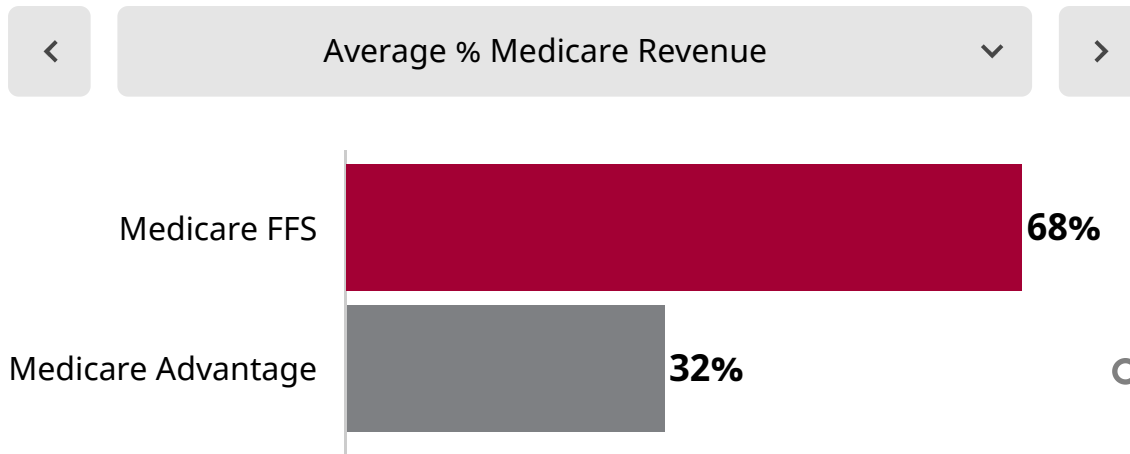
Finances Prior to COVID-19

CHHA Review

New York's 114 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, sometimes in partnership with managed care plans (such as MLTCs). Included in the total number of CHHA agencies are 9 Special Needs CHHAs.

CHHAs provide: cost-effective hospital after-care that prevents incidence of hospitalizations; chronic disease management; maternal-newborn care; complex wound care; therapies; aide supports for all ages; falls-prevention; medication management; public health services; and more.

Over 56% of a CHHA's Medicaid service volume is through contract with managed care plans. Even before the pandemic and Medicaid long term care reductions in last year's state budget, both CHHAs and their MLTC partners had negative operating margins due to chronic under-reimbursement coupled with uneven rate adjustments and distributions from the state to cover costs.



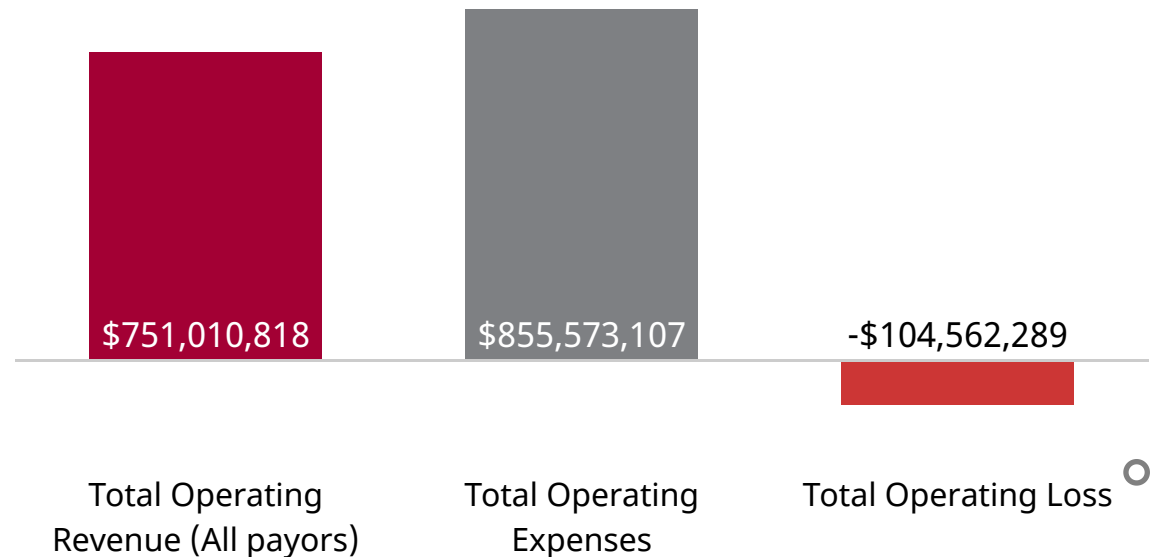
An estimated **79%** of CHHAs had negative operating margins in 2019.

-14% was the estimated average operating margin for CHHAs in 2019.

Approximately **320,000** patients are served by CHHAs every year.

CHHA Operating Revenue & Expenses

2019 totals from HCA survey respondents



Finances Prior to COVID-19

LHCSA Review

Licensed Home Care Services Agencies (LHCSAs) provide nursing, home health aides and personal care aides to clients. As of January 2021, there were 1,484 LHCSA locations operating in New York State. This includes the total number of operating sites registered with an operating certificate under a single license number.

Of all the 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, Certified Home Health Agencies, and local departments of social services. This means that LHCSAs are especially susceptible to labor-related costs, mandates and other pressures, such as:

Inadequate minimum wage and wage parity funding

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

Unreimbursed costs for employee benefits, including health, sick, vacation, Paid Family Leave, and Workers' Compensation

Overtime expenses driven by workforce shortages

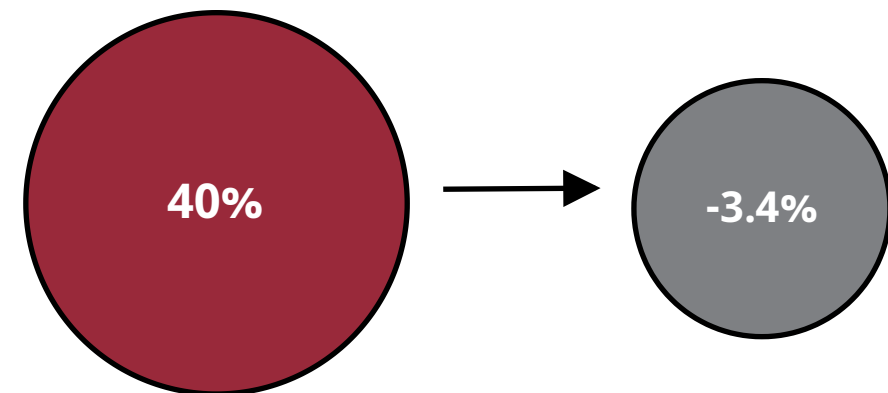
Unexpected COVID-19 expenses

Approximately 400,000 patients are served by LHCSAs every year.



LHCSA Operating Margins

2019 averages from HCA survey respondents



% of LHCSAs with Negative Operating Margin

Average Negative Operating Margin for LHCSAs

Finances Prior to COVID-19

Hospice Review

Hospices are a vital component of the health care system, providing end-of-life and palliative care services wherever the patient resides, whether at home, in a skilled nursing facility, a hospital, or other settings. The program's emphasis is to help individuals remain at home for as long as possible with comfort care services to support quality of life, yet New York's Medicaid hospice benefit is underutilized, and the vast majority of hospices are struggling financially.

In 2019, New York's 42 hospice providers served over 51,000 patients. They provide care to terminally ill individuals, focusing on easing symptoms rather than disease treatment.

Medicare revenue represents 92% of all hospice revenue, while Medicaid represents only 5%. Hospice for dual-eligible patients is substantially paid by Medicare. These are dollars that would otherwise accrue to Medicaid and thus represent a significant cost offset opportunity for New York's Medicaid program.

Hospice utilization and length-of-stay in New York State are also well below national rates. This suggests that policies to incentivize hospice participation would further support quality of life and a cost savings to the state.



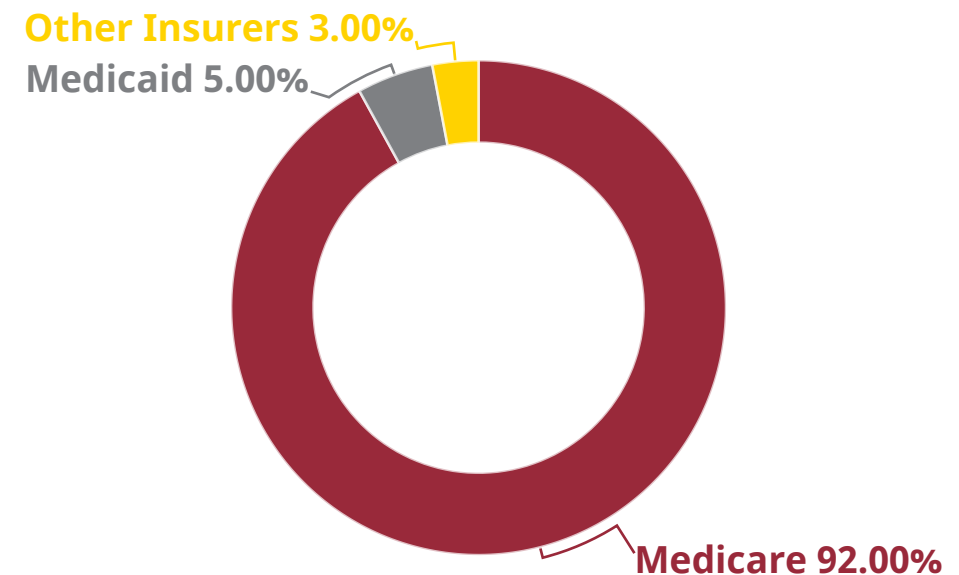
Over 51,000 patients are served by hospice providers in NYS every year.

76% of hospices had negative operating margins in 2018.

-17% was the average operating margin for all hospices in 2018.

-\$79 million was the total operating loss for all hospices in 2018.

Total Revenue Breakdown for Hospices

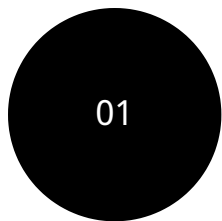


Finances Prior to COVID-19

Managed Long Term Care Plan Review

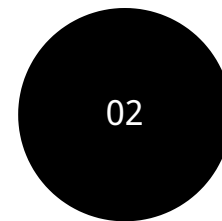
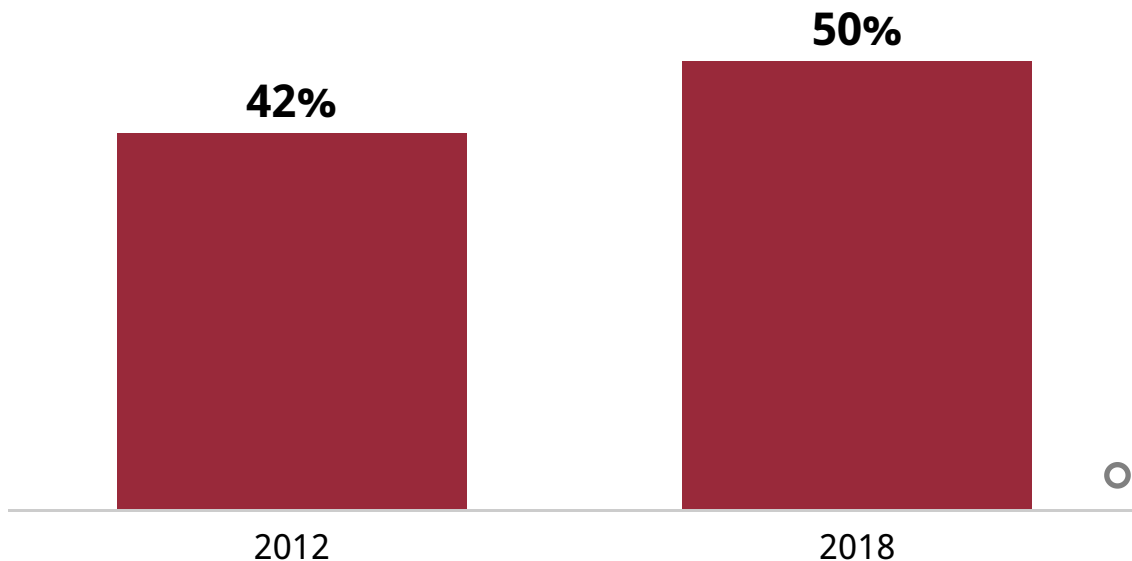
Managed Long Term Care (MLTC) plans provide service authorization, care planning and payment functions on behalf of approximately **244,000** individuals enrolled in Medicaid long term care. The vast majority of these individuals receive home care, which the MLTC plan arranges in coordination with direct-service providers, such as CHHAs or LHCSAs, and Fiscal Intermediaries (FIs) under consumer-directed care. MLTCs receive what's called a Medicaid per-member per-month (PMPM) premium payment from the state. In turn, they provide the functions outlined above for each patient and pay the home care agency who delivers the services.

Premium 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. The financial ripple effect is only getting worse. COVID-19 has been the ultimate disrupting force. Plans and providers experienced a dip in service utilization during the 2020 COVID-19 surge. The state has, in turn, implemented retroactive rate reductions (i.e., a negative COVID-19 Risk Score adjustment) to account for these fluctuations, adding further financial pressure going forward as home care service capacity rebounds amid a longer-term trend of growing service demand.



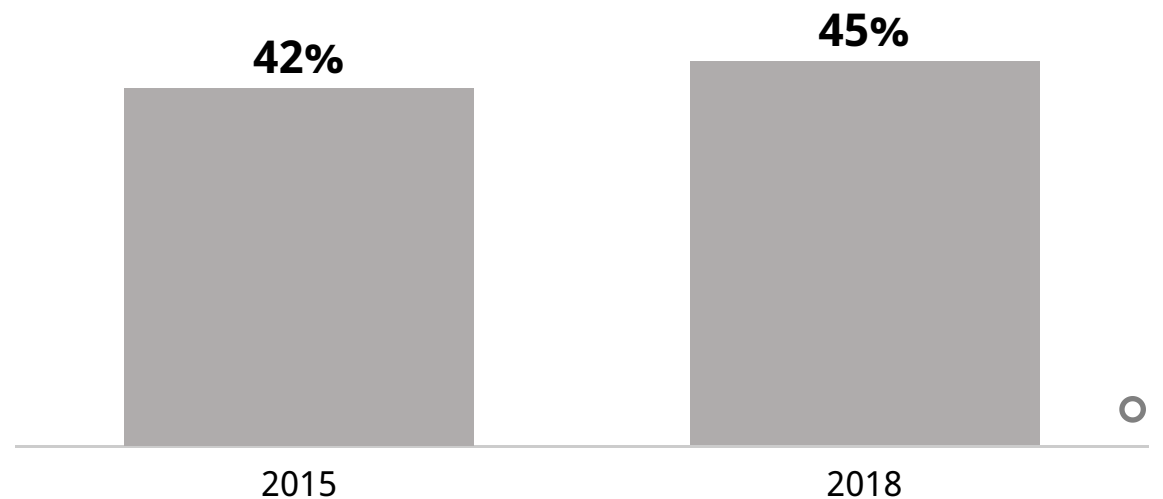
Percent of MLTC Plans with Negative Premium Income

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 MLTC Plans with Medical Expense Ratios over 90%

Medical expense 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 providers adequately.



The Impact of COVID-19 on Home and Community Based Providers

On top of existing financial stresses shown in the most recent (2018 and 2019) data reports, the COVID-19 public health emergency swept over the home and community-based service system in unique ways.

The New York State Department of Health has declined to release data from its COVID-19 surveys of home care providers, severely limiting our industry's access to the most comprehensive findings. Those surveys were conducted daily, and/or weekly at various points in the public health emergency.

In the absence of this data, HCA conducted our own COVID-19-related surveys of the home care industry in recent months to learn about specific stresses on the service system. Through analysis of these surveys, we estimate that the financial impact of COVID-19 on home care and hospice is at least \$200 million on top of the financial challenges outlined in this report.

Our surveys also show that workforce-related cost pressures continue to be the top factors affecting agency finances. Yet there are new, unanticipated costs as well. Home care agencies, for instance, have faced huge unreimbursed cost spikes for personal protective equipment (PPE), despite efforts by HCA to secure more than 2 million items of PPE for home care providers and staff, supplied by New York City's stockpile and dispensed at HCA provider-hosted distribution sites.

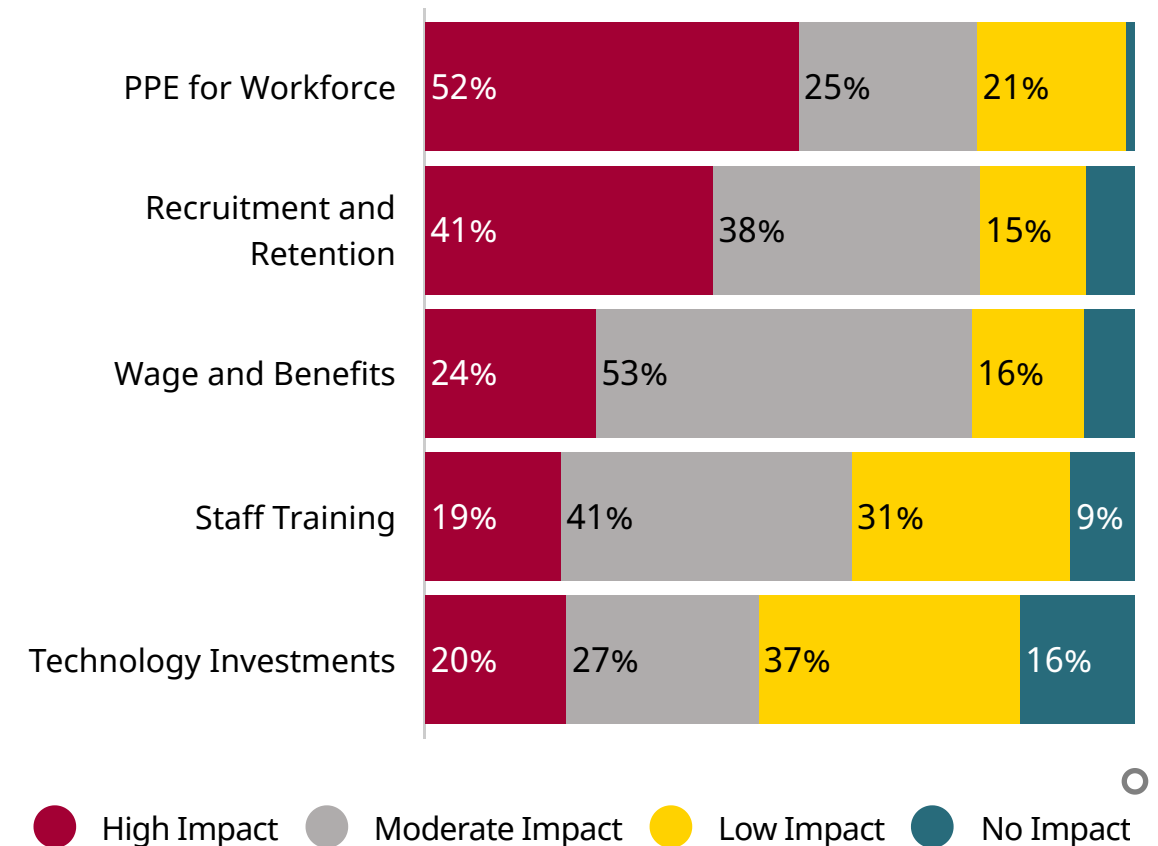
Home health agencies experienced an estimated loss of **\$200 million** since the onset of COVID-19.

85% of agencies report that existing structural workforce shortages have been greatly amplified by COVID-19.

In 2020, home care agencies saw a **136%** increase in PPE expenses.



Top Reported Costs: PPE a New, Unanticipated Factor Among Longstanding Workforce Financial Pressures

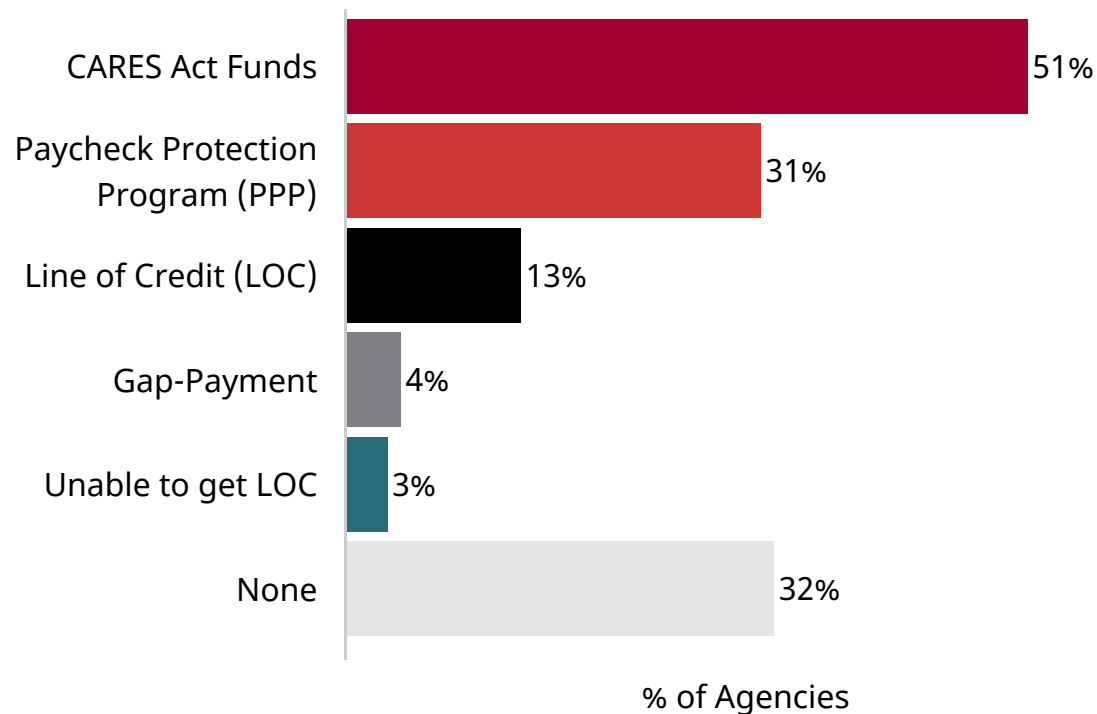


Borrowing and Temporary Financial Assistance

To cope with financial losses, home care providers have utilized traditional vehicles such as gap-payment financing or pursuing a line of credit (LOC). But providers have also relied upon new and temporary federal relief programs implemented by Congress for COVID-19 relief, including the Paycheck Protection Program (PPP), Provider Relief Fund, and other CARES Act financing.

Unlike hospitals, home care providers in New York State did not receive targeted relief funds for COVID-19 and have relied upon these limited, short-term financing programs.

Types of Short-term Financial Assistance and Borrowing Needed in 2020

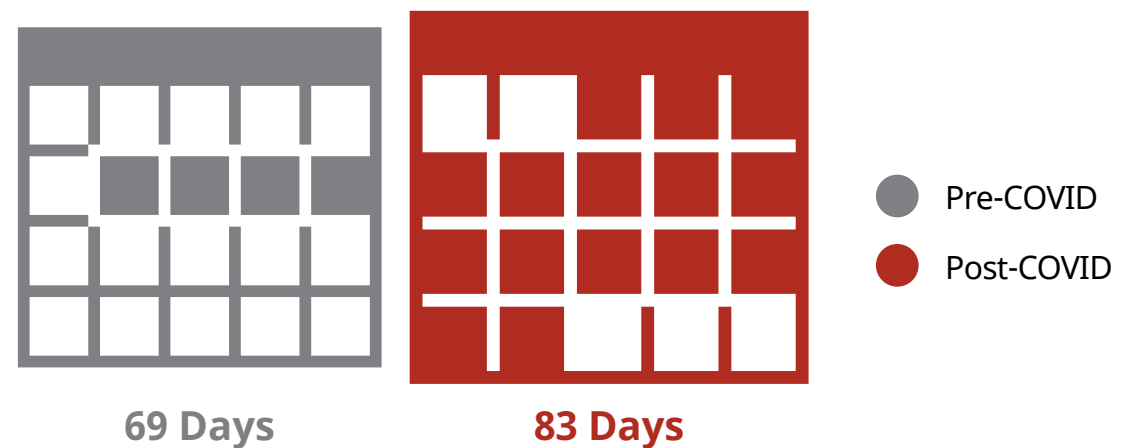


One measure of cash flow is the number of days that an agency's Accounts Receivable (AR) has an outstanding balance. AR represents the money owed to home health agencies from outside sources, including Medicaid, Medicare, Managed Care and private-pay payors.

A higher number of days means more restricted cash flow — a trend that is worsening for home care agencies following the onset of the COVID-19 pandemic.

Agencies have reported an increase in their average number of "AR days outstanding," especially since the pandemic. This affects their ability to cover day-to-day expenses, often requiring loans or the accumulation of unnecessary finance charges.

Average Number of Days Outstanding in Accounts Receivable



Telehealth and the Pandemic

Telehealth is the use of communications technologies to provide health care from a distance. Home care providers are pioneers of the telehealth model — a role that was recognized in 2007 with the state’s adoption of a home telehealth law and Medicaid rate distinctly for home care provider telehealth services.

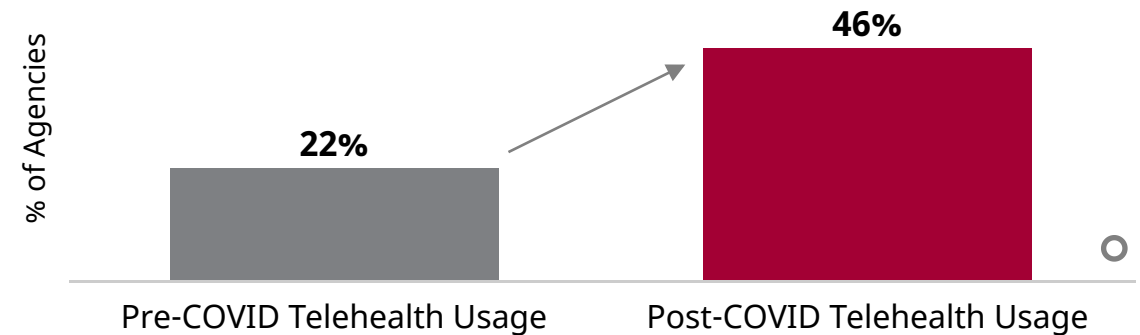
Research has shown that telehealth programs overseen by home care agencies have helped curb hospitalization and readmission rates, reducing costs.

Governor Cuomo recently announced a broad set of proposals to expand access to telehealth. HCA encourages the state to move boldly on telehealth, in principle, yet cautiously when it comes to safeguards for patient care quality and standards of care.

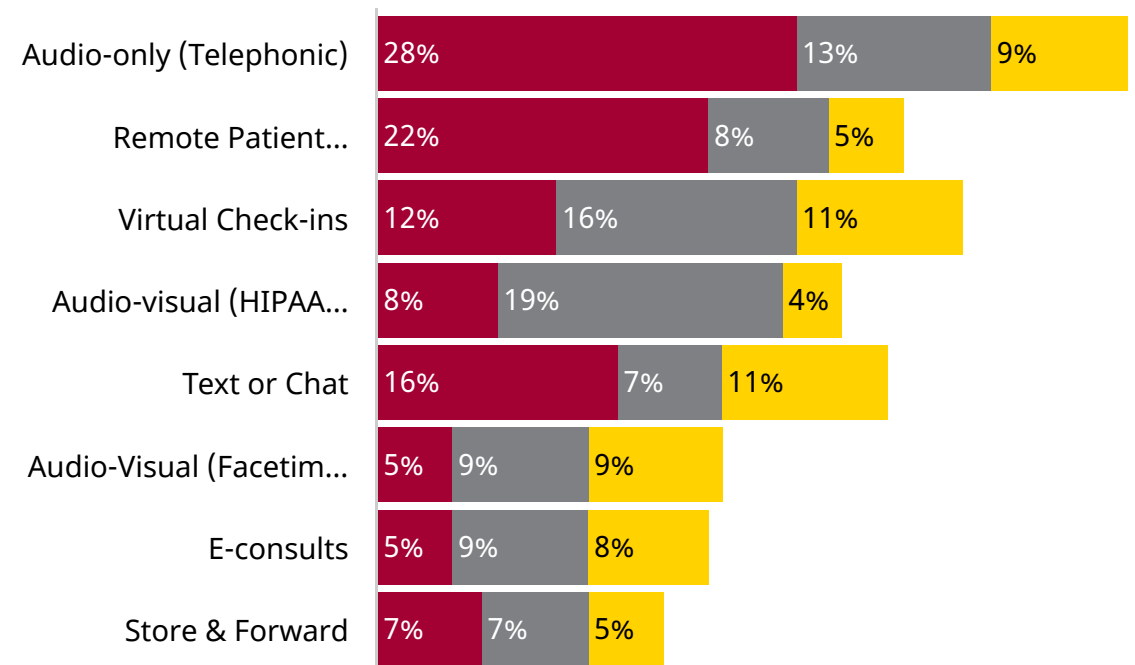
While telehealth has grown steadily in recent years across all sectors, its need and deployment were supercharged by the COVID-19 public health emergency. Home care’s incorporation of telehealth in patient care nearly doubled in the pandemic, as agencies with telehealth programs reported an increase in use by as much as 90%. Within the last three months of the pandemic, the telehealth services used most often by agencies included audio-only-telephonic, remote patient monitoring (RPM), and virtual check-ins.

Many of these home telehealth services are currently unreimbursed or are only reimbursed by temporary Medicaid billing flexibilities. HCA urges a framework in which home care is supported as a pillar of the telehealth structure, with flexibility, reimbursement support, and equitable insurance coverage.

Home Care Telehealth Adopters Doubled During Pandemic



Frequency of Telehealth Services Used During the Pandemic*



*Between October 2020 and December 2020

● Often Used ● Sometimes Used ● Rarely Used

The Home and Community Based Care Workforce

Growing Demand Requires Increase in Supply

As of May 2019, there were a total of **444,880** home health aides and personal care aides employed in NYS. 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 United States and employment in the home health care services industry is expected to grow faster than any other industry between [2016 and 2026](#).

While home care workforce demand 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. Stable funding is key to investment in our workforce and preparation for the dramatic increase in demand for senior care in the coming years.

Our Challenge

NYS has a rapidly expanding population of seniors who are living longer than previous years; and the growing demand for care is quickly outpacing supply for caregivers.

Our Solution

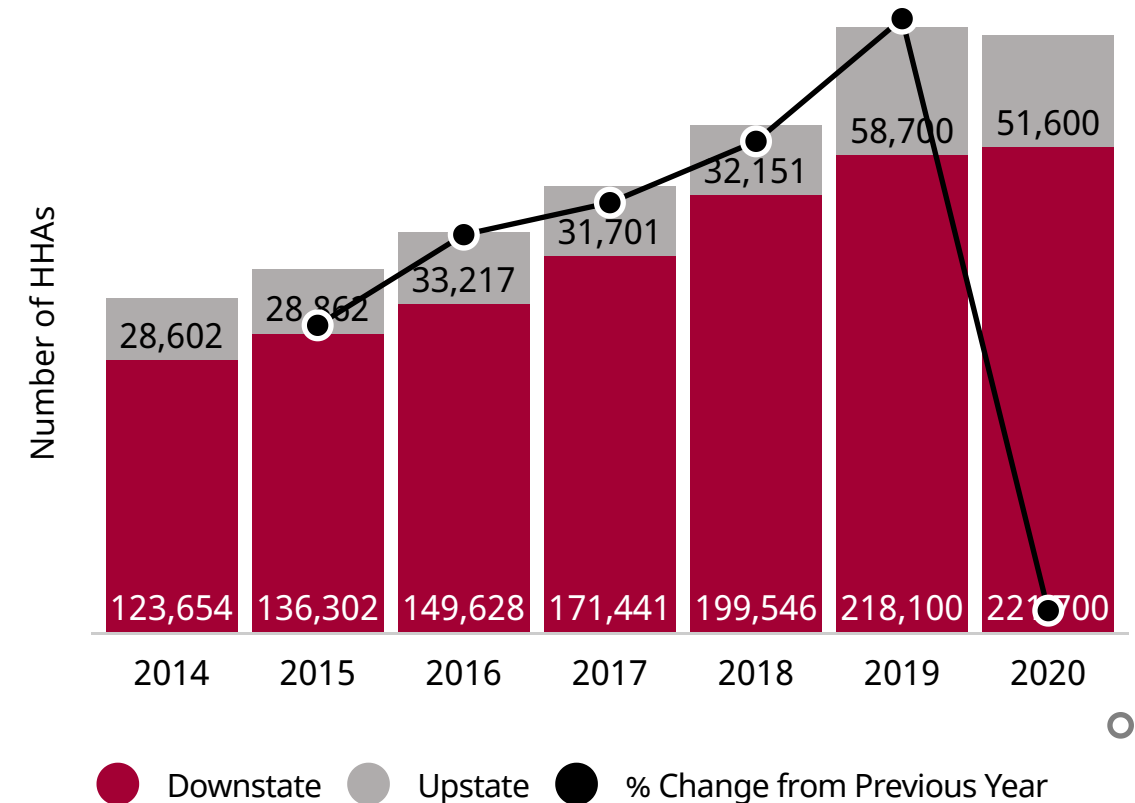
Stable funding is key to investment in our workforce and preparation for the dramatic increase in demand for home care in the coming years.

Home health aide employment grew faster than employment in any other health care setting between 2014 and 2020, increasing by **79%** statewide.



Sudden Decline in NYS Home Health Aide Employment Trends

Following the onset of COVID-19 pandemic and an over 6-year growth period



Persistent Workforce Shortages and Turnover Amplified by COVID-19

Persistent shortages and high turnover rates cause enormous administrative cost and resource pressures for training and orientation, not to mention a disruption in continuity of care. While there are many factors, the COVID-19 pandemic has had a predominate impact.

In an October HCA survey on COVID-19 experiences, the overwhelming number of agencies (85%) said that structural workforce shortages — especially the limited numbers of nurses, home health aides (HHAs) and/or personal care aides (PCAs) — have been greatly amplified by COVID-19, and these shortages are a primary obstacle to admitting patients, including for persons needing to be discharged from the hospital. Indeed, approximately 44% of home care and hospice agencies have experienced a decrease of 11% or more in HHA and PCA workforce capacity since March 7, 2020.

Simultaneously, home care and hospice providers have reported a major increase in referrals from hospitals and other settings (an average increase of 65%), illustrating just how much the entire system relies on this community-based safety net. Yet, alarmingly, 76% of agencies have reported challenges in accepting these new referrals, mostly because of reduced workforce availability.

Workforce Shortages Continue to Affect Agency Caseloads



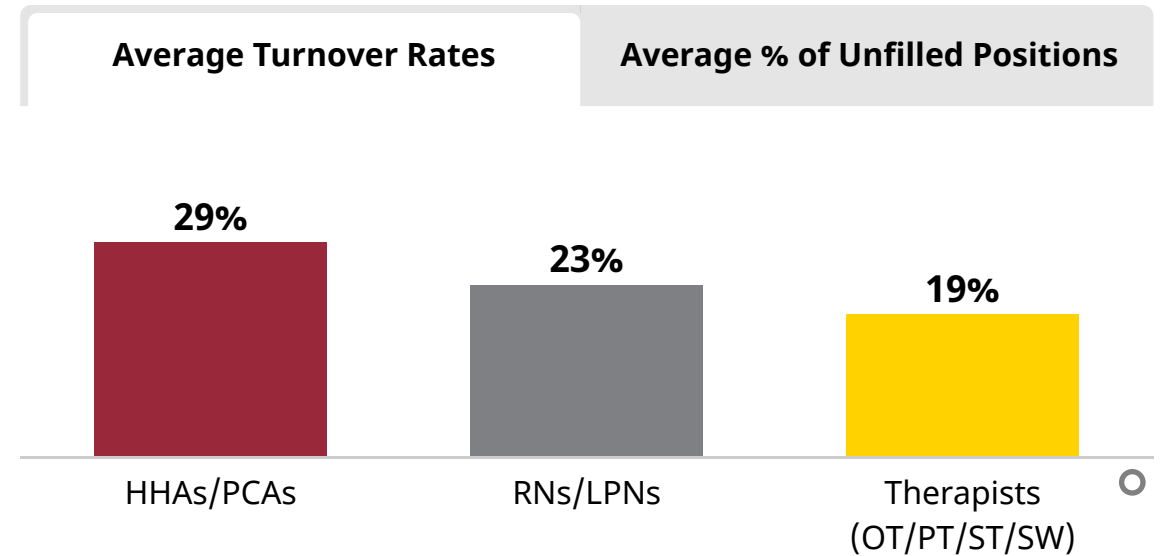
29%



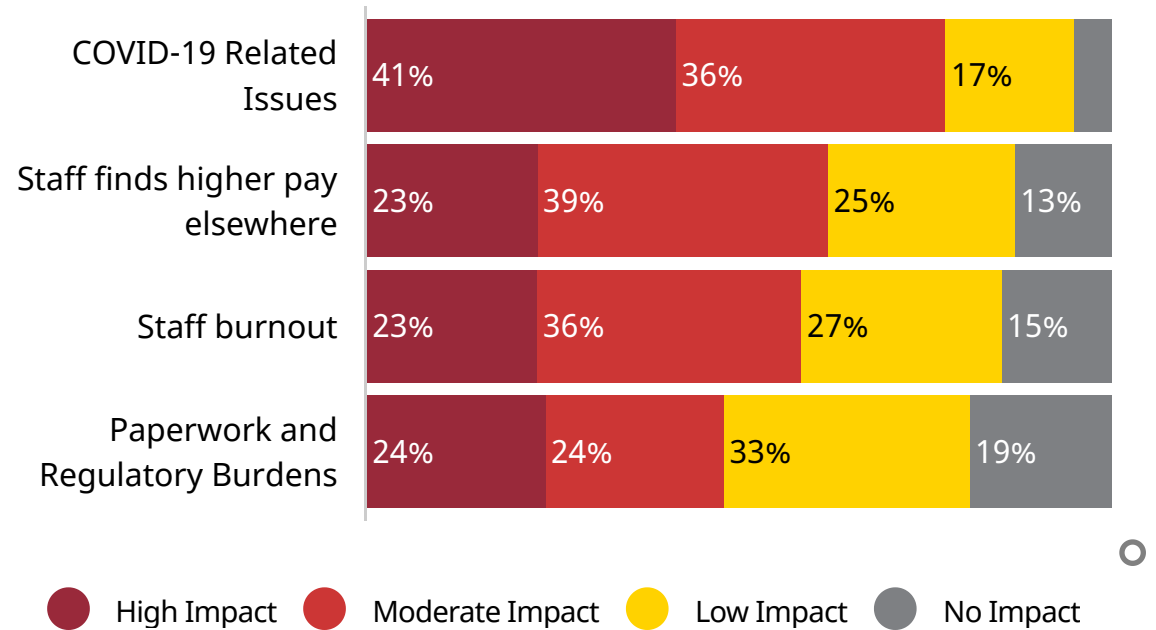
27%

- Average % of Cases Per-Month Delayed*
- Average % of Cases Per-Month Unable to Accept*

*Primarily due to workforce shortages



Top Factors Influencing Staff Turnover Rate



Ageing Demographics Continue to Drive Need

New York State's aging population continues to grow, far outpacing the home care employment trend. However, urgent and acute shortages caused by the public health emergency have worsened the gap, fundamentally disrupting these patterns in ways that can't be readily forecasted.

Over the past decade, the number of New York's residents aged 65+ has grown 26%, compared to an overall population that grew just 3% during the same period. The growing population of adults over 65 will continue to drive the need for home care workers at a time of acute shortages, intensified by the public health emergency and existing longstanding shortages.

Home care providers are uniquely positioned to offer aging New Yorkers an opportunity to receive care, when needed, in the most preferred setting — their own home. This is done at a much lower cost compared to other, more restrictive settings, all while maintaining an individual's right to independence and presenting them with a much lower risk for exposure to communicable diseases, like COVID-19.

90% of people would prefer to receive care for themselves in their own home.

Nearly **1 in 6** New Yorkers are now aged 65 and over.

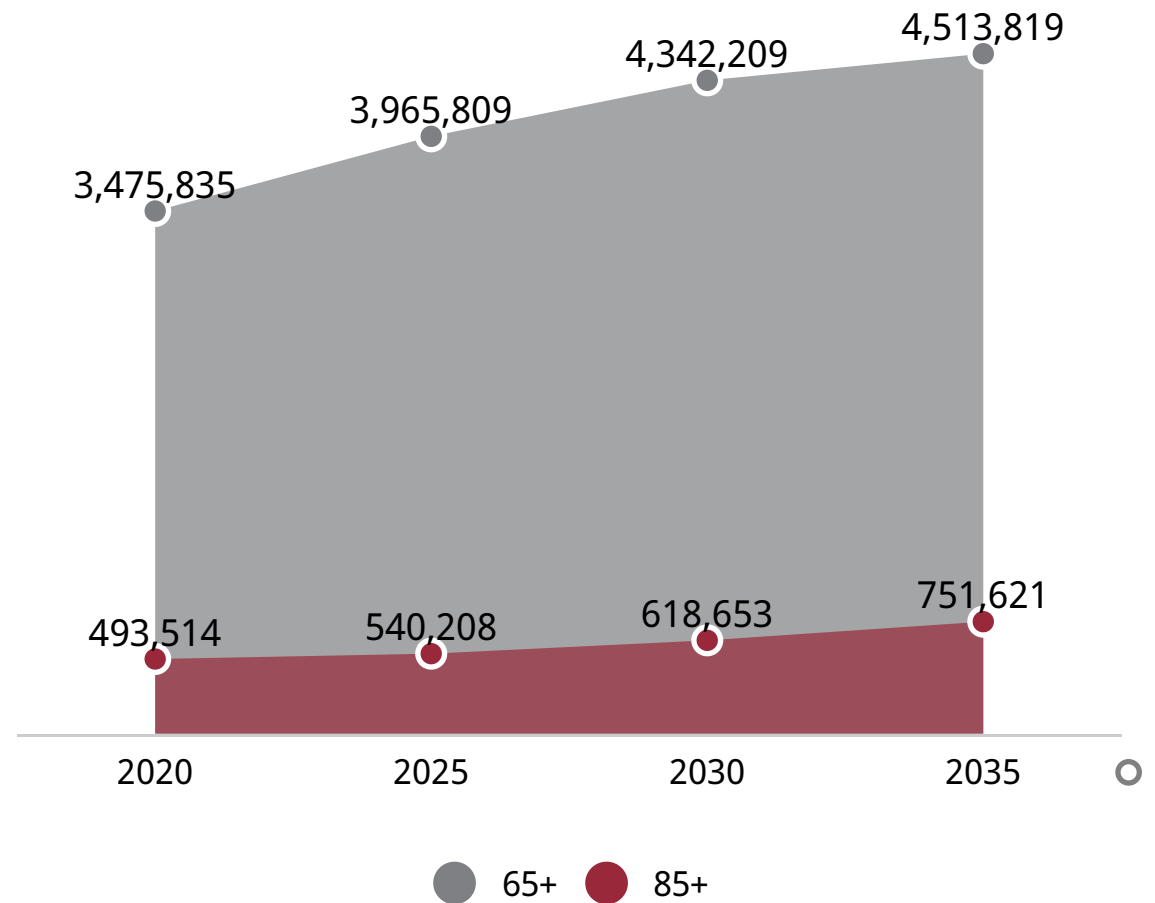
On average, **52%** of people who turn 65 today will develop a severe disability that will require long-term support at some point, accounting for **2 years of care** over a lifetime.



By 2030

New York's population of individuals aged 65+ and 85+ will grow by **27%**.

New York State 65+ and 85+ Population Projections



Conclusion and Recommendations

From finances to workforce and service access, this report provides a comprehensive account of longstanding pressures that existed prior to the COVID-19 public health emergency and which are now fundamentally intensified during the pandemic.

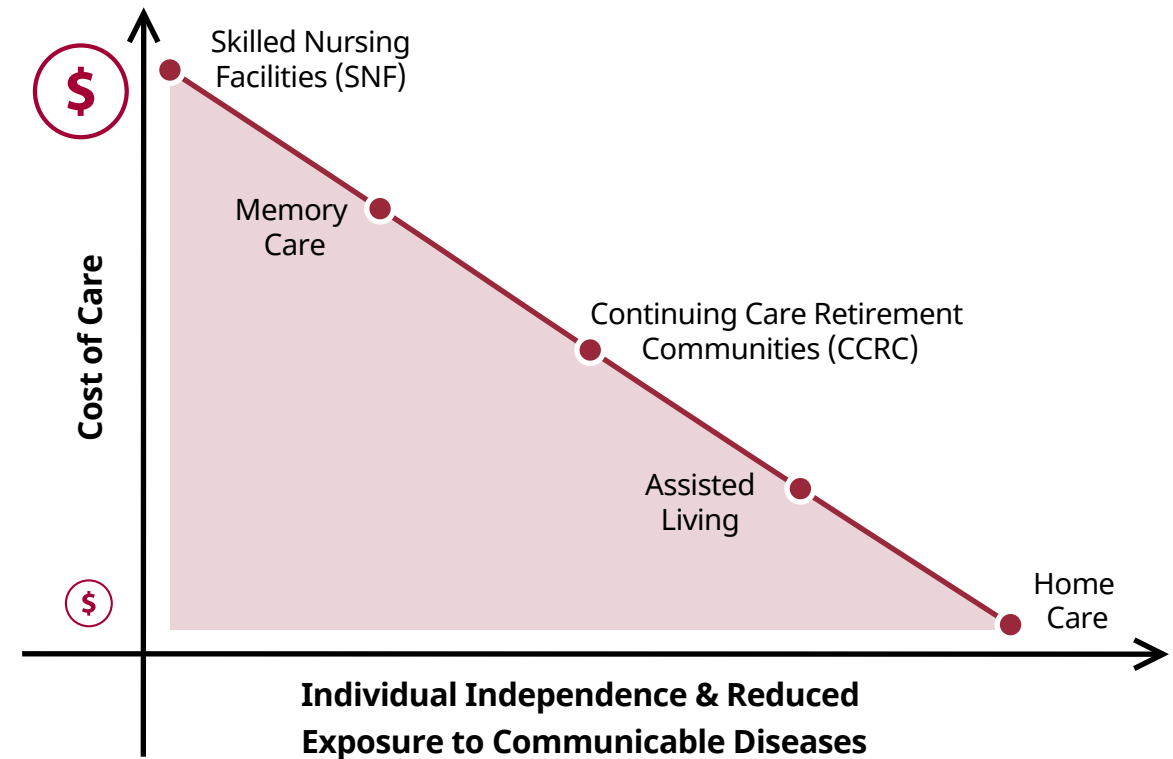
The public health emergency has also precipitated a new age of telehealth across all sectors — including and especially telehealth adoption by home care agencies who are pioneers of the telehealth model. Home care has increasingly turned to these technologies for new reasons: to reduce exposure risk and provide access for patients and caregivers whenever services could feasibly be delivered remotely as an alternative or addition to in-person care. Yet Medicaid restructuring in recent years has adversely affected access to home care provider-led telehealth. These supports need to be revisited carefully and with equitable coverage for home care.

With the findings in this report, HCA urges support at the state and federal levels for a "home care first" orientation that includes:

COVID-19 relief measures for community-based care and stable Medicaid financing over the long-term, given the enormous need and access issues.

Support for workforce retention, preparedness, and sufficient capacity to meet patient care demand in home care and hospice.

A supportive regulatory structure that provides critical flexibility for operations, care delivery, and efficiency while protecting quality and integrity of care.



New York has made tremendous strides in promoting the accessibility and affordability of health care. As a result, individuals with long-term and/or acute-care needs now have more options than ever before. With options come differences. Home care offers the most cost-effective long-term care service, while promoting independence, safety, and quality in a setting preferred by 90% of individuals.

A stable financing structure and prioritization of home care are vital to the sustainability of this model, especially as New York prepares for a continued dramatic increase in demand over the coming years.

Home Care Association of New York State

HCA is New York's premier state home care association. Our official mission is "to promote and enhance the quality and accessibility of health care and support at home."



HCA was formed in 1978 to further the development of home care services, act as an advocate for home care, and provide information to help improve the development, availability, accessibility and quality of home care services.

HCA provides comprehensive education programs, effective advocacy at the state and federal level, and public awareness through state and national media. HCA's Board of Directors and nearly 400 members work to promote cost-effective home and community-based services to the people of New York State.

HCA is an active voice in the health care community, working closely with state and federal legislators, regulatory agencies, and payors to interpret, challenge, or support policies that affect the home care profession.

Follow Below for Important Home Care Updates



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