

# Is your home health agency ready for **Medicare Advantage?**



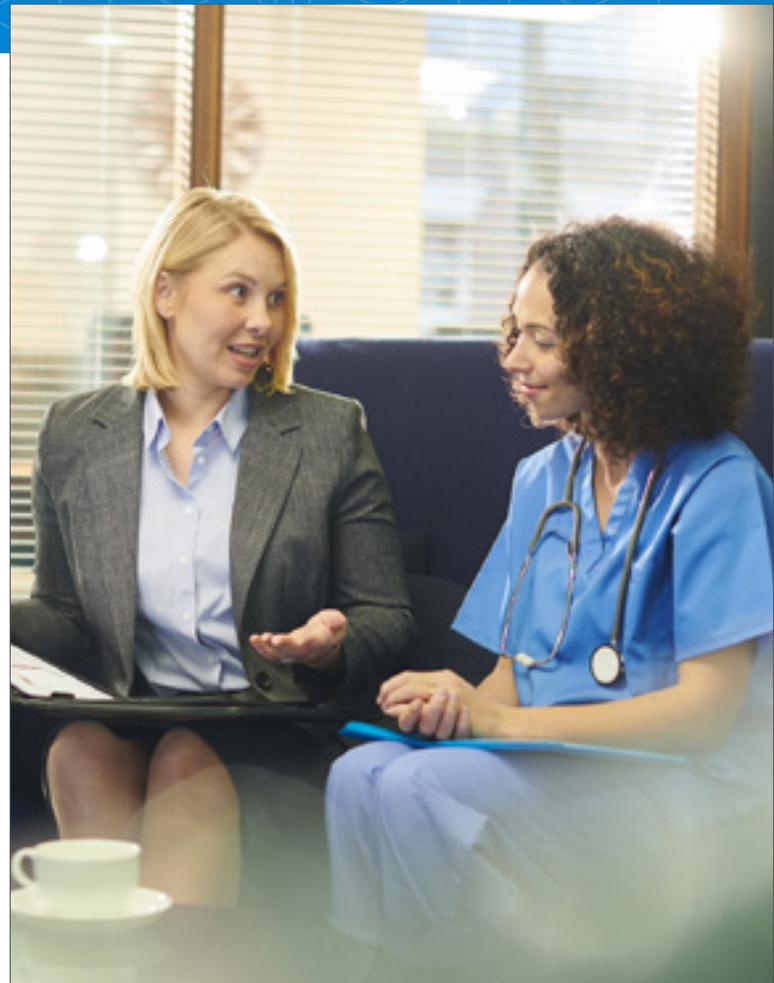
**In most industries, there are points in time that separate the players who go on to great success from those who simply struggle to survive.** Organizations that excel at recognizing opportunities — and seizing them the moment they appear — are usually the ones that come out ahead in any competitive market.

**FOR U.S.-BASED HOME HEALTH AGENCIES (HHAs), ONE SUCH OPPORTUNITY IS EMERGING: Medicare Advantage (MA) plans are looking to team with HHAs to better serve their members and help them grow.**



In 2021, according to the Kaiser Family Foundation, 3,550 MA plans had enrolled at least 26 million Medicare beneficiaries nationwide.<sup>1</sup> Though only around 750 of these plans offered their members home care benefits, industry experts expect that number to increase significantly in the coming years.

**ONE RECENT REPORT IN HOME HEALTH CARE NEWS PREDICTED MA-REIMBURSED HOME CARE IS ABOUT TO BECOME A \$5 BILLION MARKET.<sup>2</sup>**

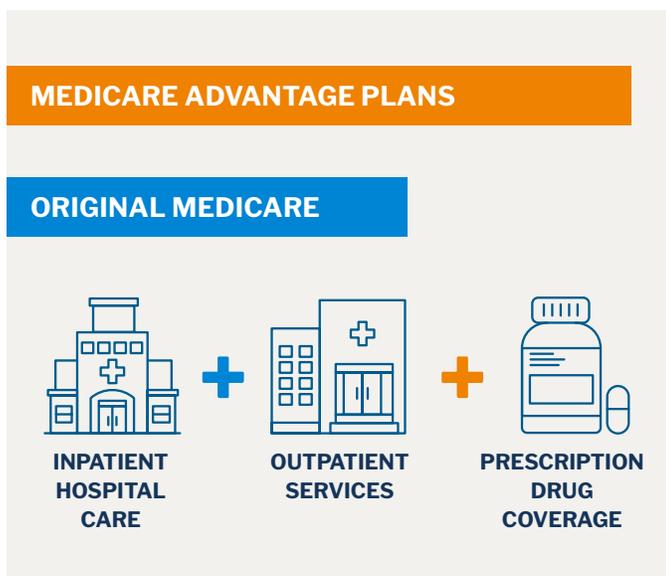


**For HHAs who want to capture a slice of the growing MA pie, the challenge involves proving to these plans that your organization has what they're missing.** If you can show plans the value your business brings to the MA table, there's a good chance they'll want to work with you and make your agency their HHA of choice.

With that in mind, let's explore what HHAs can do today to prepare for MA contracts that are sure to come in the months and years ahead, including what it's going to take to negotiate with these plans successfully and secure your place in this potentially lucrative space.

# The growing Medicare Advantage market

First, a quick look at the basics. Though many HHAs have plenty of experience working with Medicare and the Centers for Medicare & Medicaid Services (CMS), it's only been a few short years since they've really had an opportunity to contract with Medicare Advantage plans.

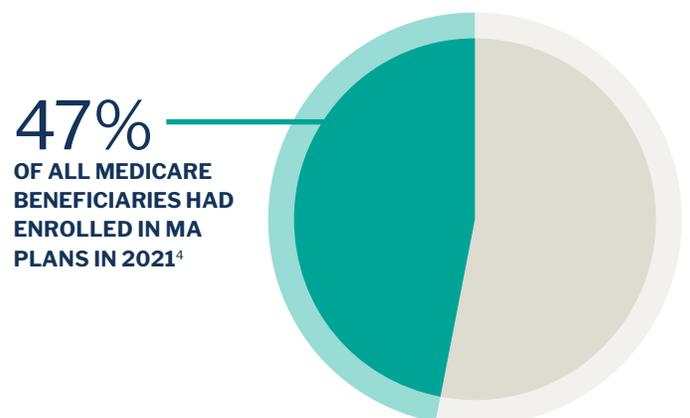


**From the consumer's perspective, there are two main ways to get Medicare. The first option — Original Medicare — is a fee-for-service plan run by the federal government** that covers inpatient hospital care under Medicare Part A and outpatient services under Medicare Part B. Prescription drug coverage (Medicare Part D) is not included in Original Medicare, so most enrollees purchase a separate Part D plan to offset the cost of medications.

**Medicare Advantage plans, on the other hand, are privately-run “bundled” plans that usually include all three arms of Medicare coverage** — Part A, Part B and Part D. Also referred to as Medicare Part C, most MA plans also include supplemental benefits (like vision and dental services) that Original Medicare doesn't typically cover.

When a member joins an MA plan, Medicare sends the company that's administering the plan a fixed monthly payment for that individual's coverage. Though the MA organization must follow Medicare rules and regulations, it's ultimately up to the company to decide what to charge for services and how to provide them.

The advocacy group Better Medicare Alliance has described Medicare Advantage as “modern Medicare for seniors.” Pointing to statistics that show MA plan members with chronic conditions “experience better health outcomes at lower costs” than those enrolled in Original Medicare, the organization notes that at its current rate of growth, Medicare Advantage is soon going to become the most popular form of the federal health insurance program.<sup>3</sup>



# Home health agencies in 2022

Among the reasons for MA expansion are the same factors driving Medicare growth overall, including the aging U.S. population. According to the U.S. Census Bureau, the number of people age 65 and older has increased by a third over the past decade.<sup>6</sup> Also playing a role, however, is the flexibility of the typical MA plan.

**By offering access to providers and services that aren't available through Original Medicare, Medicare Advantage plans can look appealing to enrollees who want a plan with specific benefits.**

Some HHAs have leveraged this dynamic by teaming with plans that offer home health as a supplemental benefit, but up until recently, a federal law restricting what they could do had limited most of them.

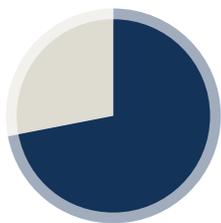
Though home health has been part of Medicare since the program's creation in 1965, CMS had always required that it be delivered by "skilled" providers

like nurses and physical therapists and that it couldn't be used for "daily maintenance," or ongoing post-acute care.<sup>6</sup>

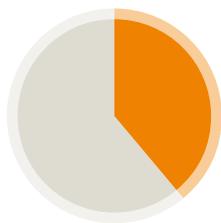
That changed in 2019 when the agency adopted a new policy to permit supplemental benefits "used to diagnose, prevent or treat an illness or injury, compensate for physical impairments, act to ameliorate the functional/physiological impact of injuries or health conditions or reduce avoidable emergency and healthcare utilization."<sup>7</sup>

For HHAs that were paying close attention, the revised CMS policy showed that **the agency finally recognized the broader value that services like home care provides.**

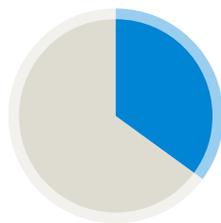
With non-medical home care joining skilled care on the list of acceptable MA benefits, and with Medicare Advantage growth highly likely given the rise of baby boomers and their desire for better services, the implications were clear: The potential market for HHA services was about to get substantially bigger.



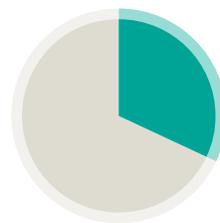
**72%**  
OF HHAs PROJECT  
INCREASED  
REVENUES



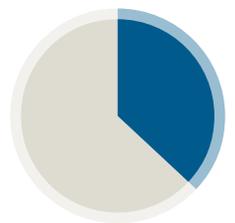
**39%**  
ARE INVESTING IN  
STAFF MANAGEMENT  
TECHNOLOGIES



**35%**  
ARE INVESTING IN  
TELEMEDICINE/  
TELEHEALTH AND  
PREDICTIVE ANALYTICS  
TECHNOLOGIES



**32%**  
ARE INVESTING  
IN PATIENT  
ENGAGEMENT  
TECHNOLOGIES



**37%**  
PREDICT NON-SKILLED  
HOME CARE SERVICES  
ARE GOING TO BECOME  
THEIR GREATEST  
AREA OF GROWTH

## The home health value proposition

Though the CMS turn on supplemental benefits did expand the market for home health providers, the agency did not go so far as to suggest that MA plans should team with HHAs specifically.

In fact, as many experts in the industry have noted, **it's largely up to HHAs themselves to make the case that they can help plans become successful.** As one report by the Home Care and Hospice Financial Managers Association (HHFMA) put it, "home health must develop a compelling value proposition to demonstrate why home health services are an important and necessary part of the healthcare continuum."<sup>8</sup>

To that end, the HHFMA and others recommend agencies can explain not only what home health providers can do, but why these services are worth their cost.

If an MA plan decides to work with your HHA, what's the return on investment they can expect? How can your organization help the plan minimize what it spends on member healthcare overall?

"Because Medicare Advantage plans operate in a capitated reimbursement arrangement, they have some flexibility in how they structure their networks and the benefits they choose to provide their members," says Lauren Cricchi, a consultant and senior manager at Avalere Health. "The challenge for HHAs involves showing how they can do a better job than their competitors."

Avalere Health senior consultant Michael Lutz agrees with his colleague and suggests looking at home health from the perspective of the MA plans.

"One thing they often struggle with," he notes, "is how to identify all these companies that are out there, in particular the mom-and-pops that have been doing this work for a long time. But then, the even bigger issue is, how many HHAs do they need to contract with to cover their service area?"

To answer these and other questions, MA plans usually want to see data, Lutz says. "As an HHA, you need to have data on healthcare outcomes and costs."

Most agencies, he explains, have reams of information about their clients "because they're in their homes, they're witnessing their patients' day-to-day, they know when there are fall hazards and other potential issues, and they're putting those details in their case notes."

**The problem is that many have no easy way to turn that information into "actionable" data.** "How are your services helping patients, and what is your impact on hospital readmissions?"

The root of the problem is that too many HHAs continue to operate in a paper-based record-keeping environment that makes data collection and analysis difficult, Cricchi suggests.



**“MA plans aren't just going to take your word that your services are great. There has to be an investment in a technology-driven solution that can facilitate and streamline the process.”**

# Showing your worth through data

A common business model for MA plans involves risk-sharing between the plan's various providers. **When a provider's services reduce a plan's costs, they may get rewarded for their good work with a greater share of the plan's revenue.**

If the provider doesn't hit certain benchmarks around quality and cost-effectiveness, on the other hand, the payments they receive may decrease from what they would've been given otherwise.

**For HHAs to succeed in this world, it's important they have infrastructure in place to track patient outcomes,** says Kris Srinivasan, senior manager of payer strategy with McKesson Medical-Surgical.

"You should have a way to collect the data you need to determine that what you're doing as an HHA is working, and that patients are getting better because of your services and products," he explains.

HHAs that possess outcomes data showing their success in working with other payers can use it to negotiate contracts with MA plans, Srinivasan says.



**“You can go to that plan and say, ‘Here’s what we can do for you, and this is why we should be paid this much more than your normal rate.’”**



Though data is king when it comes to convincing plans your HHA can help grow their business, it's not the only way agencies can differentiate themselves.

"A lot of MA plans, for example, are interested in offering their members non-clinical services," Cricchi says.

An HHA that provides caregiver support or services like in-home risk assessments or companion care may find those "add-ons" are exactly what MA plans want.



**“If you can show plans that you’re focused on the big picture – the full scope of patient care and services – that can be a really strong selling point.”**

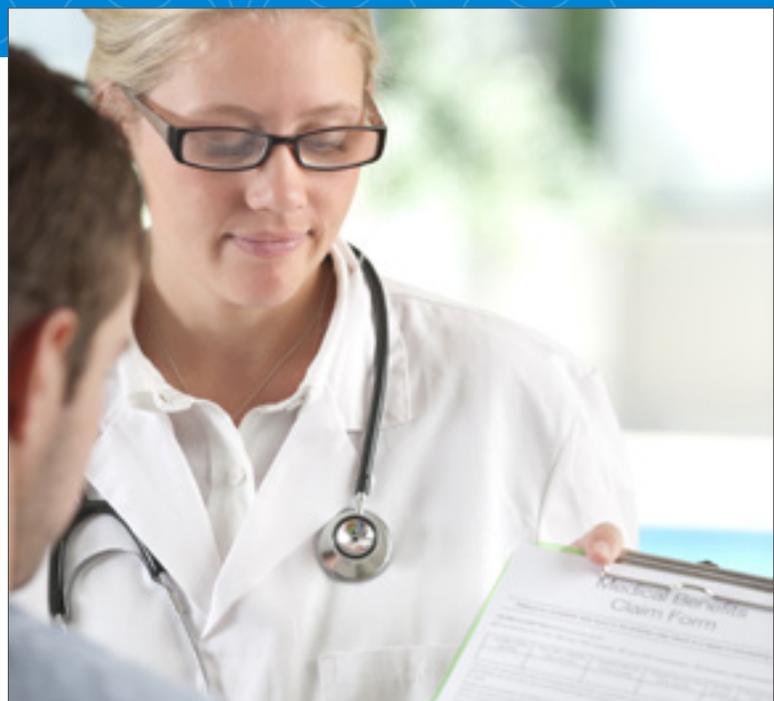
Finally, Lutz says, consider deploying tools like remote patient monitoring to not only improve care efficiency and quality, but also demonstrate your commitment to innovation and current best practices.

"That kind of automation can help to identify which members are doing well and who may need more support, and that way, you can ensure that you're directing your resources to those places where they're needed the most," he explains.

# Reimbursement in Medicare Advantage

In the fee-for-service system that dominates Original Medicare, CMS determines what services it covers and how much it reimburses providers for those services. That's very different than Medicare Advantage, which allows providers to negotiate rates with plans, and services may differ from one plan to the next.

“Often what we see is that reimbursement for HHAs is similar or sometimes slightly lower in MA than in traditional fee-for-service,” Cricchi notes.




**TO MAINTAIN A HANDLE ON COSTS, MANY MA PLANS MANAGE UTILIZATION BY REQUIRING A PHYSICIAN'S REFERRAL FOR HOME CARE AND/OR REQUIRING MEMBERS TO PAY A COPAY FOR HHA SERVICES.**

Under Original Medicare, there's no management of individual members, so HHAs have greater control over the quantity of services those individuals receive. In Medicare Advantage, on the other hand, limitations on service volume could impact an agency's revenues.

“Sometimes disagreements come up between what the home health agency is saying the individual needs and what the MA plan thinks they need,” Lutz notes. To avoid such scenarios as much as possible, it's important “to become more of a partner with the plan than just another entity they may see as a cost.”

Cricchi agrees and says **the key to maximizing HHA payments in the MA space is to demonstrate your value with data.**

“You need to be able to say that your services will result in an X percent reduction in hospital readmissions, for example, and then show how that reduction will translate into X dollars in savings for the plan,” Cricchi says.

Many HHAs are going to agree to a payment structure that hinges on their ability to hit certain savings benchmarks — “the more you can save, the more you'll be paid,” she notes — while others may look to expand the number of members they see to make up for limitations in service volume per member.



**“ Building your market share of MA members is one way to potentially increase revenue. ”**

# Matters of compliance

HHAs that are testing the Medicare Advantage market and are concerned they may have to learn new rules and regulations need not worry, says Kris Srinivasan, a senior manager of payer strategy with McKesson Medical-Surgical.



“At the end of the day, MA plans generally follow all of the normal Medicare compliance guidelines.”

he explains. “There may be added nuances here and there, but if you’re already working with Medicare, you shouldn’t see too many surprises.”

**One potential sticking point for HHAs is the need for clear and complete documentation.** When an MA plan contracts with a home health agency, that agency becomes a downstream entity of the plan and is subjected to the same oversight by CMS as the plan itself, says Michael Lutz, senior consultant with Avalere Health.



“There may be more audits than you’re used to dealing with, more questioning of the claims you’re submitting.”

Most HHAs should turn out fine, he adds, “but it’s important to understand that the administrative complexity is often higher in the MA space than it is under fee-for-service Medicare.”



# Expand your business

In some cases, Lutz says, **HHAs have found that teaming with MA plans can help drive business in the non-MA arena.**

“If the organization that’s running that MA plan has commercial contracts or contracts with Medicaid, for example, they may look at the value you’re providing for their MA line and ask if you can support their work in those areas as well.”



**ANOTHER COMMON WAY FOR HHAs TO CAPITALIZE ON THE MEDICARE ADVANTAGE MARKET IS TO AGREE TO A BUYOUT FROM AN MA ORGANIZATION.**

Lutz says these deals can become mutually beneficial “because the plan gets this home health asset in-house that it can then offer to all of its members, while the agency instantly increases its footprint and can count on having consistent business.”

# Finding success in the MA space

**Home health agencies should know that not all Medicare Advantage contracts are worth signing.**



*“ You have to know when it doesn’t make sense to accept the contract as it is, ”*

Srinivasan says. “You can’t be worried that if you don’t take it, you’re missing your chance to get in on Medicare Advantage. If it’s not going to be profitable, you have to say no. There will be other opportunities.”

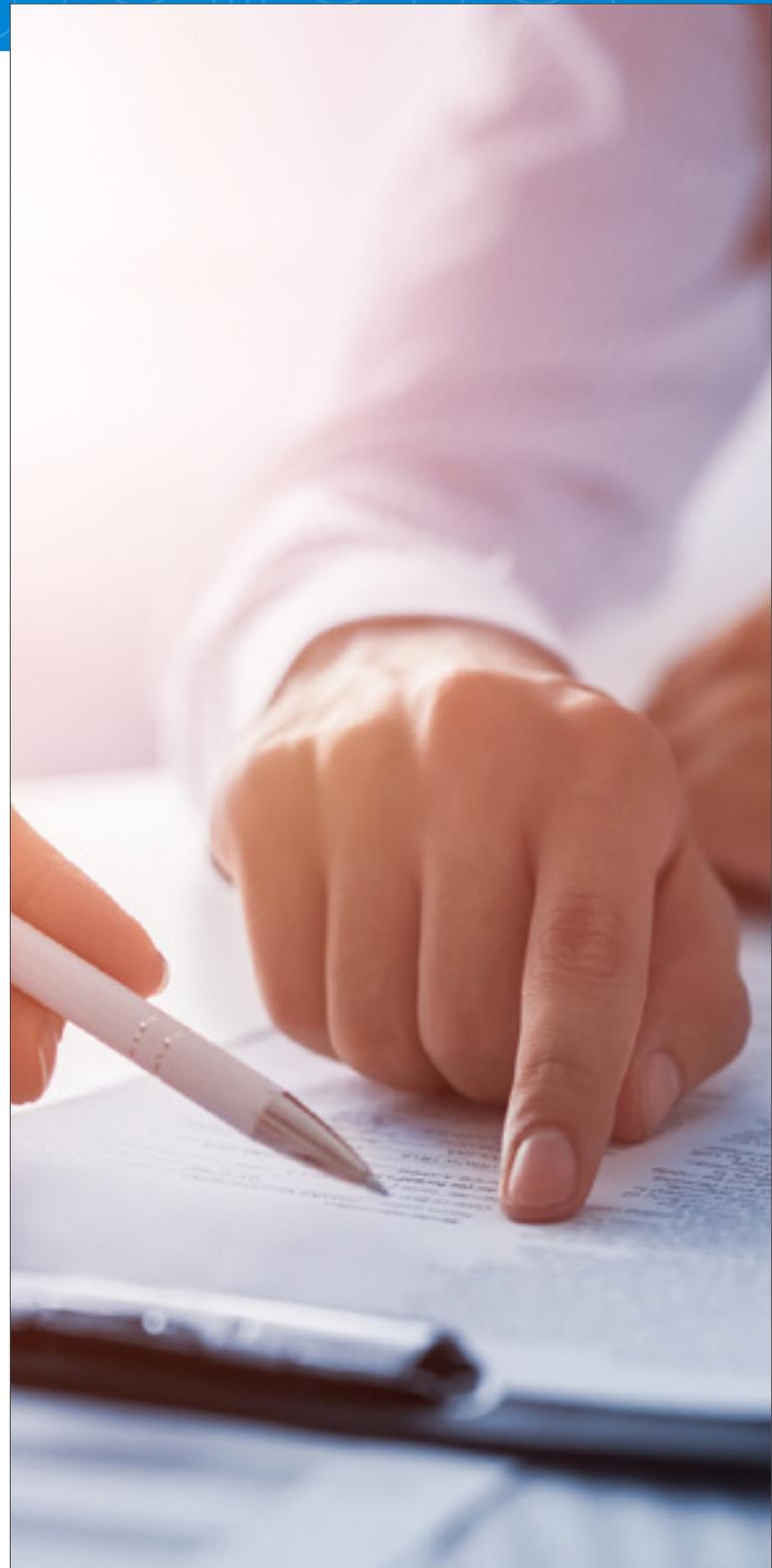
HHAs that find success in the MA space are those that aren’t afraid to negotiate with MA organizations – to state clearly what they need to secure long-term viability and demand that plans provide incentives and payments that reflect the actual value of their services.

Do what’s best for your agency, Lutz agrees, and you’ll find that in the end, you’ll be a better fit both for the plans with which you decide to work and for their members.

“As a home health agency, if you’re doing your job well, you can really become an extension of the plan in a way that helps build trust between them and their beneficiaries,” he says.

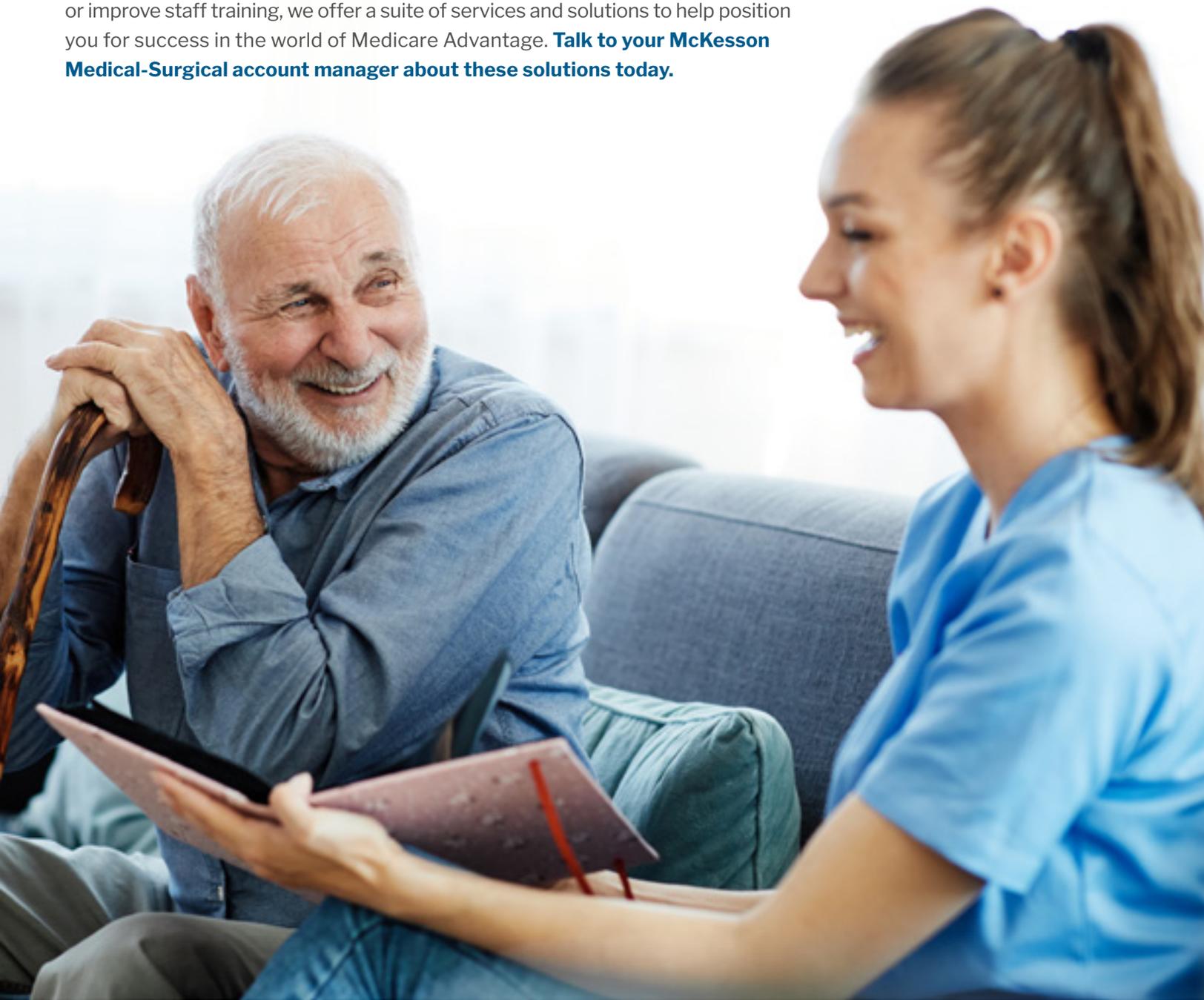


*“ It’s a relationship that should benefit everyone – that’s good for patients and business alike. ”*



# Support every step of the way

Is your home health agency ready for Medicare Advantage? Whether you're looking to reduce hospital readmissions, add telehealth services to your business or improve staff training, we offer a suite of services and solutions to help position you for success in the world of Medicare Advantage. **Talk to your McKesson Medical-Surgical account manager about these solutions today.**



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## Sources

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