

HMOs Use of Function Scores in SNF Management of Post Acute Patients Shows Savings and Transparency of Care

With Medicare costs soaring at their highest point of \$431 billion in 2007, efficient management of those expenses in Skilled Nursing Facilities (SNFs) is more important than ever. Fortunately, health plans using function-based scoring and predictive modeling, combined with patient-specific care planning, to manage seniors in SNFs have achieved significant savings while improving quality and reducing variation in care. The benefits of managing care at this post acute care juncture are not only financial but introduce a transparency of care management not currently found in acute care.

Traditional Post Acute Care Options

People who become frail or frailer following a hospitalization for a serious or chronic condition generally require additional care when discharged from an acute care setting. This increase in care/therapy and support are necessary to recoup lost function due to the original problem and/or other conditions. This additional care/therapy can be assigned to be delivered in SNFs, acute rehabilitation facilities, outpatient facilities or in the home via home health care (HHC).



HMOs: Cost Variances and Care Criteria

Unmanaged, Medicare Advantage Plans can see SNF utilization in the 1000 to 1200 days per 1000 or more. Although the Medicare benefit limit for SNF care is 100 days per year, the average length of stay runs between 22 and 24 days for most plans. Not coincidentally, co-insurance (currently at \$133.50 per day) begins on the 21st day of an SNF episode. Clearly, many case managers are basing coverage decision on the SNF benefit, not on whether or not the member actually needs the services. The result of these factors, combined with a lack of objective tools for managing SNF care, means the cost of this benefit for HMOs can vary from \$22 to \$40 PMPM (using an average cost of \$300/day). Fortunately, there is research that demonstrates that 30 - 40% of this cost can be eliminated without negatively impacting the quality of care or result.

HMOs traditionally are able to reduce the expense of acute hospitalization by utilizing certain criteria to approve and manage hospital length of stay (LOS). The criteria can be compared against the type of service provided and the intensity of care to ascertain the need for hospitalization or continued hospitalization. The criteria also can be set against a standard of perceived efficient care. In these situations, the criteria used almost always take into account the patient's diagnosis and medical care being delivered to determine the need for hospitalization. Due to the nature of acute illness, a majority of these situations require almost daily monitoring and retrieval of information, both on the plan side and on the hospital side to assure coverage and payment. Complications tend to render routine evaluations useless, and day-to-day discussions with nurses and clinicians are required to resolve questions of the need for and length of hospitalization. These situations often lead to appeals, and the patient and family are typically placed in the middle where a plan refuses to pay and the hospital seeks payment from the patient.

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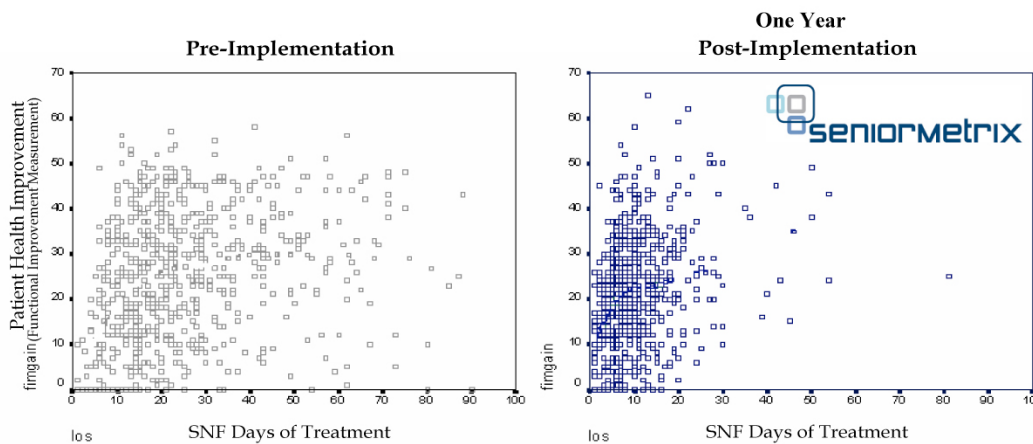
SNFs: Patient-Specific Planning Crucial for Functional Outcomes

For SNFs, care planning is crucial to obtain necessary functional outcomes for those receiving care. Patients are first assessed in the hospital for nursing home placement or some other alternative when the decision to discharge the patient is made. Once transferred to the nursing home, the patient is further assessed, and a patient care plan is developed. These plans focus on a patient’s current functional abilities. The goal is to improve a patient’s level of functionality so he or she may graduate to a less intensive setting for further treatment. While diagnosis is meaningful for these patients, it is their function that is most predictive both for their length of stay and their final SNF functional outcome.^{1, 2}

During this time patients and their families are often left in the dark as to what to expect. Reasonable goals are not discussed, nor is a time frame offered to achieve them. Without effective care planning, patients tend to languish in SNFs for longer periods of time than is necessary or useful, a fate often defined as “warehousing”. Despite these challenges and the opportunities they represent, many plans lack focus in this area as their traditional strength and experience lie in managing the acute care episode where the average daily cost can exceed \$2000+ per day, as opposed to managing patient-specific care expectations to improve outcomes and quality of life.

However, for plans caring for a Medicare population, the utilization of SNF care is significant. While the daily charges appear low, their cumulative application presents plans with a significant cost reduction opportunity, as most of this care is unmanaged, and expectations are not routinely set. Application of intensity and service site criteria appears to have minimum impact as they are diagnosis driven, not function driven.

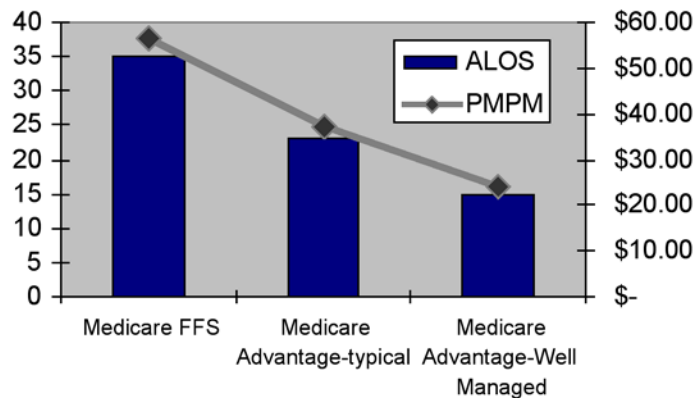
The following graph and table outline the experience and opportunities of commercial plans and Medicare plans. Graph 1 shows plan experience after implementing a function based predictive modeling to manage utilization. Table 1 shows that the experience of Medicare Fee for Service plans in this arena. These plans are the most costly due to a longer Average Length of Stay (ALOS), from 38 days per SNF episode at \$57 PMPM vs. a well managed Medicare Advantage plan that shows an ALOS of 16 days at just over \$24 PMPM. The result not only reduces cost of care, but does so without compromising patient outcomes.



\$5,655 average cost per case
23 point average gain in Functional Improvement Measurement (“FIM”), an internationally recognized scale of disability

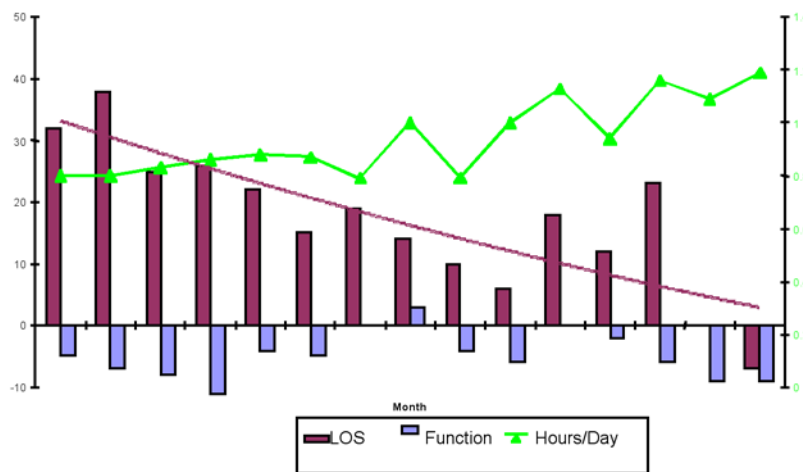
\$4,485 average cost per case (20.7% decrease)
23 point average gain in FIM (unchanged)

SNF Costs 2007 (est)



The following chart illustrates how the use of severity-adjusted data reduced the ALOS in an HMO. Over an 18-month period, this HMO reduced ALOS variance to a continuously adjusted standard according to the severity and co-morbidity of individual patient admissions. At the same time, expectations for function at discharge remained within + or - 10% of a continuously adjusted standard. These results were facilitated by an increasing trend in hours per day of physical, occupational and speech therapy.

Variance From Severity Adjusted Expectations



Function Scoring: Saves Money, Improves Outcomes, Reduces Variation

Plans using function scoring to manage seniors in SNFs have achieved significant savings while improving quality and reducing variation in care. This can be accomplished by assessing the functional status of patients using ordinal scales and applying predictive modeling to outcomes. Doing so has repeatedly proven to reduce practice variation and cost. The benefits of managing care at this juncture are not only financial but introduce a transparency of care management not currently found in acute care. Plans report a decrease in appeals and complaints involving care. Patients, families, physicians and case managers

have the same information with which to understand projected outcomes so they can plan accordingly. Improved communication of functional scores and predicted outcomes improves satisfaction, decreases SNF exposure and eliminate delays in discharge from the SNF.

The benefits of managing care using functional scoring and predictive modeling are proven and numerous. Health plans produce measurable, significant savings, reduce practice variation and improve patient outcomes. Such a level of transparency of care management introduces a welcome change for post-acute care decision makers and patients.

1 Jette, D. Warren, R. and Wirtalla, C. (2004) Rehabilitation in Skilled Nursing Facilities – Effect of Nursing Staff Level and Therapy Intensity on Outcomes. *American Journal of Physical Medicine and Rehabilitation*, 83, No.9, 704-712.

2 Warren R.L., Wirtalla, C. and Leibensberger, A. (2001) Preliminary Observations on Reduced Utilization in SNF Rehabilitation. *American Journal of Physical Medicine and Rehabilitation*, 80, 626-633.

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