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Post-acute Care as a Winning Strategy in Recessionary Times

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When acute care hospitals and health systems are developing marketing and growth strategies, which are especially important in this economic downturn, post-acute care opportunities frequently fall to the bottom of the list. Undeniably, post-acute care programs are not as sexy or headline-grabbing as the latest robotic surgical device, the high-tech cardiac interventional procedure that is pending FDA approval, or the neonatal ICU that is capable of caring for the most vulnerable newborns. However, like the tortoise that is slow and steady yet wins the race, post-acute programs consistently offer a strong return on investment to those providers with the insight to include these programs in their planning efforts.

Post-acute programs make sense, particularly in recessionary times, for three primary reasons:

- There is strong demand for post-acute programs
- Post-acute programs generally make money
- Implemented effectively, post-acute programs improve long-term clinical outcomes

As hospitals face declining (and negative) margins, who wouldn't want a program that draws high demand, makes money, and improves patient outcomes? But these benefits often take a back seat because hospital administrators and planners don't fully understand this market.

Post-acute demand
Although post-acute programs (defined by CMS to include inpatient rehabilitation, skilled nursing, home health, and long-term care hospitals), account for only 15% of Medicare Fee-For-Service expenditures, MedPAC reports that close to 40% of Medicare acute care patients are discharged to some level of post-acute care.

Our experience suggests that the actual demand for post-acute care programs might be greater than this estimate, in part because not every acute care program has sufficient access to every level of post-acute care. In fact, in markets in which there is sufficient access to most post-acute programs, the use of these programs by Medicare acute care patients is often between 40% and 50%.

Post-acute ROI
With the negative impact of this latest recession hitting hospitals' bottom lines hard, most health systems are eagerly seeking out services that still appear to offer a positive financial contribution. Given that, post-acute programs should definitely be in the planning mix. Post-acute programs contribute to the financial performance of a health system in two ways. First, post-acute programs can help manage the acute care length of stay for many patients, particularly patients with the greatest clinical needs. This helps both by reducing the acute care stay, and improving the financial return on a DRG payment, and also by freeing up an acute care bed for a subsequent admission. In fact, although most acute care programs currently generate positive margins often the greatest financial return post-acute programs provide is the ability to function as a "pressure valve," to assist acute care providers in managing throughput of acute care patients.

As an example, a recent evaluation of an acute care hospital concluded that strengthening the integration of existing post-acute programs into the acute care discharge planning efforts would improve the acute care financial performance by $7.5 million. Clearly, this is not an insignificant impact in these challenging times.

However, while the greatest financial impact of post-acute care to healthcare systems typically rests with the ability to manage the acute care patient populations, post-acute programs continue to outperform other programs on direct financial return as well.

Additionally, although post-acute programs are not generally expected to be the cash cows of a health system, a simple financial impact analysis suggests that health leaders may be well advised to implement strategies to increase post-acute utilization. Not only can incremental admissions help facilitate an acute care discharge more rapidly, but each incremental admission can also have a strong impact to the organization's financial performance.

Click here to view the Estimated Annual Medicare Contribution Margin by Post-acute Setting

While the previous examples illustrate the financial impact of generating incremental Medicare admissions into post-acute care, it is important to note that other payers (with the frequent exception of self-pay and Medicaid) typically generate a financial return at least as great as Medicare patients.

Clinical Return
No one would likely deny that acute care hospitals are at their best when managing patients with relatively brief, highly acute episodes of care. The typical hospital is constructed and staffed, and medical teams are trained in the art and science of tending to patients with urgent, emergent, and critical care needs. For a variety of reasons, most importantly including the major financial drivers, most acute care hospitals today are not organized and staffed most effectively to manage patients with longer term, often-chronic disabling conditions that are the core of post-acute programs. The length of stay in a post-acute program is typically at least 14 days (the Medicare ALOS for inpatient rehabilitation) and will often extend beyond 60 days (for home healthcare and skilled nursing.) By comparison, the acute care ALOS is 4.8 days.

With its longer lengths of stay, the clinical goals of post-acute providers go beyond completion of a specific event or intervention that might occur in the acute care setting, such as a surgical procedure, a medical intervention or stabilizing and treating a critical care patient. In a post-acute setting, an integrated clinical team typically completes a comprehensive medical, functional, and social

evaluation of the patient, and develops an interdisciplinary plan of care to either return the patient to the community in the most independent manner possible, or at a minimum transition the patient to a lower level of care. While the "sicker and quicker" dynamic has certainly increased the overall acuity of patients in most post-acute programs, patients in post-acute care generally are more medically stable than those in the acute care setting with less need for intensive interventions or diagnostic procedures.

Because of this, the clinical strengths of post-acute programs tend to be the mirror opposite of their acute care counterparts. These programs function best at improving the medical and functional status of patients, frequently elderly/Medicare patients, who cannot be discharged directly home from the acute care setting. As such, appropriate placement of many patient populations into post-acute programs results not just in a better managed acute care length of stay, but a patient outcome that improves medical stability and functional independence for both the patient and the family.

Seizing the opportunity
While all evidence suggests that post-acute programs can benefit not just patients but also healthcare providers, success in this arena will not occur by happenstance. Healthcare leaders will need to plan effectively to both identify those post-acute programs that might make the most sense for their community and their health system and to also ensure that post-acute utilization achieves its goals once programs are operational. The key components of these plans typically include:

- **Demand analysis.** Evaluating post-acute demand for each specific program both within the local acute care system and within the broader primary and secondary service areas.
- **Competitive analysis.** Assessing not just the capacity and market strength of existing post-acute competitors, but also emerging treatment options such as "hospital without walls" that might offer additional competition.
- **Regulatory assessment.** Identifying state/local barriers to entry that might exist (Certificate-of-Need) along with Medicare Conditions of Participation for each program type.
- **Financial analysis.** Assessing the direct and indirect financial impact of the proposed post-acute program on the health system, including the potential reduction in length of stay for acute care.
- **Implementation plan.** Developing a work plan with specific time frames including those activities expected of administrators, clinical staff, medical staff, and other team members.

Moving forward
In addition to the current strong case for addressing potential post-acute opportunities, the prospect of significant healthcare reform in the not-too-distant future makes this assessment even more critical. In fact, the financial returns previously discussed likely understate the potential return following healthcare reform efforts. Although there are many components in play as health reform discussions move forward, the notion of a bundled payment (whereby Medicare makes one single payment for the acute episode of care and all post-acute required for 30 days following discharge from the acute care setting), as well as proposed financial penalties for any readmission into acute care within 30 days, make it incumbent upon each and every provider to assess their health system's post-acute needs.

With financial incentives among all players being more tightly integrated than at any time in the past, acute care providers will need to ensure not just appropriate access to post-acute care, so that patients don't return prematurely to the acute care setting, but that the post-acute programs that they are reliant upon (either internal or external programs) are delivering cost-effective outcomes that meet or beat their peers. While certainly important today, the value and potential return or post-acute programs will only continue into the future.

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