

THE BUSINESS CASE FOR DISEASE MANAGEMENT PROGRAMS IN HOME CARE



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The annual economic impact on the U.S. economy from the most common chronic diseases is more than \$1 trillion, which could balloon to nearly \$6 trillion by the middle of the century, according to a study by the Milken Institute. Much of this cost is avoidable, the study found. “An Unhealthy America: The Economic Burden of Chronic Disease” attempts to quantify the economic loss associated with preventable illness and the cost to the nation’s Gross Domestic Product (GDP) and American businesses in lost growth.

The study found that:

- Seven chronic diseases — cancer, diabetes, hypertension, stroke, heart disease, pulmonary conditions and mental illness — have a total impact on the economy of \$1.3 trillion annually.
- Of the total economic impact, \$1.1 trillion represents the cost of lost productivity.
- In ranking all 50 states by the reported number of these diseases per capita, researchers found that West Virginia, Tennessee, Arkansas, Kentucky and Mississippi have the highest rates of chronic disease, while Utah, Alaska, Colorado, New Mexico and Arizona have the lowest rates.
- Assuming modest improvements in preventing and treating diseases, by 2023 the nation could avoid 40 million cases of chronic disease and reduce the economic impact of chronic disease by 27 percent, or \$1.1 trillion annually.
- A decline in obesity rates could lead to \$60 billion less in treatment costs and \$254 billion in increased productivity.

Staggering statistics alone support reasons for the home care industry to have business and clinical disease management models. However, there are more compelling issues that impact the future of the health care delivery system when it comes to disease management...it is the shift in market share of who is overseeing the chronically ill population.

There are the four big trends in disease management that directly impact home care.

1. **Moving to a Pay for Performance Model Across the Health Care Delivery System** – The entire health care delivery system is redefining health care business around medical conditions and specialization. Hospitals, physicians and home care payments are changing to reflect accuracy of payments and outcomes. More data-rich information is being collected from providers in an effort to better understand the complications of the chronically ill population. For home care, a pay for performance model will rally around an agency having

the ability to be a partner in the coordination of patients across the health care delivery system and triaging patients to the best place of care based upon their illness.

2. **Payors** – Payors are systematically developing disease management programs based on specialization. Trends in disease management are changing the initial face of managed care. For example, many managed care organizations have carved out Medicare Advantage Plans. Today, these plans are already shifting agency's revenues. In some markets, Medicare Advantage plans comprise 38 percent of Medicare revenues. Home care should expect to see more contracts under these plans.
3. **Disease Management Companies** – American Healthways, the largest disease management company, and others are developing disease management programs to oversee the chronically ill populations. Models under these programs include health coaching, patient education, phone calls to patients and medication compliance. Special Needs Plans and Chronic Care Improvement Plus programs designed for the chronically ill, and Medicaid dual eligibility are capitated programs that accept full risk from Medicare for all of the health expenses of enrollees. These programs are rolling-out statewide. Some programs are contracting with home care...others are not.
4. **Government Moving Patients Out of Nursing Homes Into Community-Based Care** – Billions of dollars have been allocated to move patients out of nursing homes into community-based programs. The transition of these patients will equate to longer stays in home care supporting the case for disease management programs and the need to develop long-term care management programs beyond 60-day episodes of care.

These trends are indicators of the shift in the health care delivery system's business and clinical models, also the key roles that companies are establishing as major players in disease management. It is important for home care agencies to make sure they are developing disease management programs to be able to partner across the health care delivery system, and position their agencies to partner with payors and disease management companies. However, clearly the underlying factor of these new trends is for home care to figure out how they will show these major players the value and role of home care in disease management. Of greater concern, is the new competition entering home care's market share. The question is does this shift mean your agency will strategically align with these new players...or will they be your direct competition?

