



United States  
General Accounting Office  
Washington, D.C. 20548

Health, Education and Human Services Division

B-262007

July 19, 1995

The Honorable Fortney H. (Pete) Stark  
House of Representatives

Dear Mr. Stark:

From 1989 to 1994, Medicare spending for home health care increased from \$2.2 billion to \$12.0 billion, making it the fastest growing component of Medicare costs. At the same time, the number of home health agencies (HHA) providing Medicare services also increased dramatically--from 5,698 in 1989 to 8,392 in March 1995. Most of this growth has occurred among the hospital-based and for-profit freestanding HHAs. (See table 1.)

A variety of factors account for the increase in the demand for home health services and the number of providers. Among them are an aging population, expanded Medicare home health benefits, and Medicare hospital payment policies that encourage earlier discharge from hospitals.

You asked us to ascertain whether increased hospital ownership of HHAs has contributed to the growth in Medicare home health costs by providing higher levels of visits to beneficiaries. To address this question, we used Medicare's paid claims history and provider of service files to compare the average number of visits per beneficiary by various types of HHAs.

In summary, our analysis indicates that, on average, hospital-based home health agencies care for a possibly less chronic mix of beneficiaries than all HHAs in general and provide fewer visits than all other types of home health agencies except for those run by government agencies. It, thus, does not appear that hospital-based home health agencies are driving up Medicare costs relatively more than other types of home health agencies.

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Table 1: Growth in Home Health Agencies Providing Medicare Services (1989-1995)

HHA type	1989		1995 <sup>a</sup>	
	Number	Percent	Number	Percent
<b>Provider-based</b>				
Hospitals	1,485	26.1	2,279	27.2
SNF <sup>b</sup> /rehab.	109	1.9	144	1.7
<b>Freestanding</b>				
Government	47	0.8	37	0.4
VNA <sup>c</sup>	474	8.3	572	6.8
Other <sup>d</sup>	3,583	62.9	5,360	63.9
<b>Total</b>	<b>5,698</b>	<b>100.0</b>	<b>8,392</b>	<b>100.0</b>

<sup>a</sup>As of March 31, 1995.

<sup>b</sup>Skilled nursing facility.

<sup>c</sup>Visiting nurse association.

<sup>d</sup>Includes for-profit and private nonprofit.

Source: GAO Analysis; Medicare Provider of Service File.

#### UTILIZATION PATTERNS OF HOSPITAL-BASED HOME HEALTH AGENCIES

Relative to other types of home health agencies, hospital-based facilities do not appear to be furnishing more home health services. On average, hospital-based home health agencies actually provide fewer visits than all other types of HHAs except for government-owned HHAs, which had lower average and median number of visits per beneficiary. While HHAs overall provided an average number of 56.7 visits per beneficiary in 1993 with a median of 24 visits, hospital-based HHAs provided an average of 43 visits per beneficiary, with a median of 19.<sup>1</sup>(See table 2.) To further illustrate, figure 1 shows the proportion of beneficiaries served and the total number of visits provided by the different types of HHAs. Hospital-based

<sup>1</sup>We are examining utilization patterns of different types of HHAs, including for-profit agencies, in a separate, ongoing study.

agencies provide services to approximately 31 percent of all Medicare home health beneficiaries, but provide 24 percent of all visits.

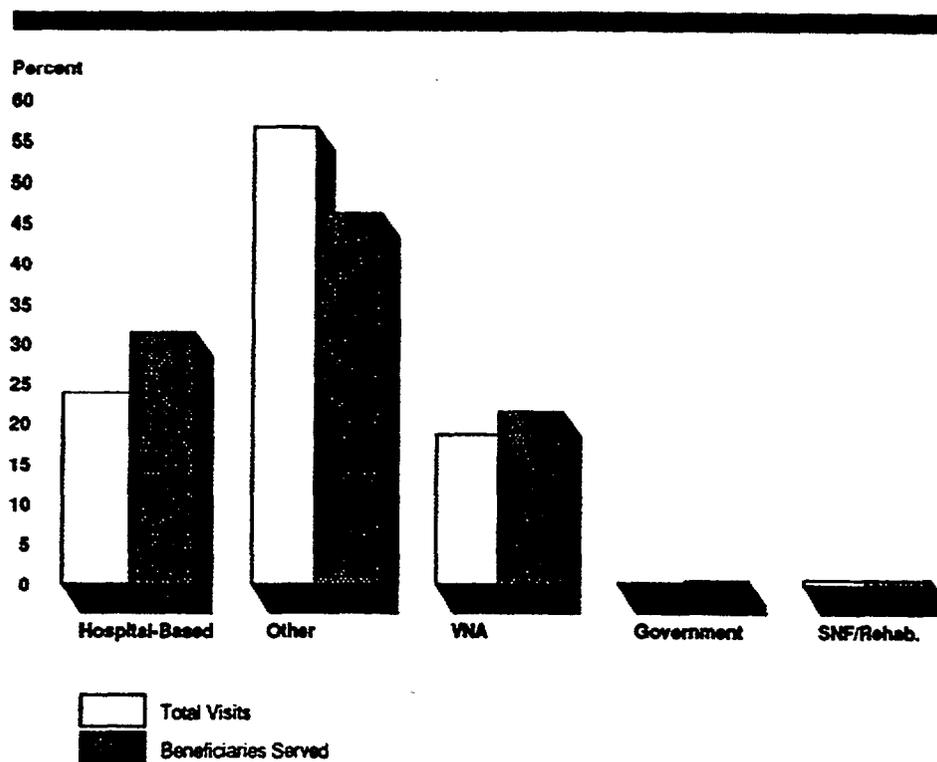
Table 2: Average Visits per Beneficiary for Different Types of Home Health Agencies (1993)

Type of facility	Average visits	Median visits
<b>Provider-based</b>		
Hospital	43.0	19
SNF/Rehab.	56.0	25
<b>Freestanding</b>		
Government	33.5	16
VNA	49.2	21
Other <sup>a</sup>	69.7	30
<b>All agencies</b>	<b>56.7</b>	<b>24</b>

<sup>a</sup>Includes for-profit and private nonprofit.

Source: GAO Analysis; Medicare Provider of Service File and National Claims History Database.

Figure 1: Total Visits and Beneficiaries Served by Type of Home Health Agency (1993)



Additionally, while 82 percent of all Medicare home health patients received 90 or fewer visits in 1993, with 57 percent receiving 30 visits or fewer, 87 percent of hospital-based home health patients received 90 or fewer visits, with 65 percent receiving 30 visits or fewer during that same time. Furthermore, in 1993, only 8.8 percent of hospital-based home health patients received more than 120 visits compared with 13.4 percent of all home health patients. (See fig. 2.)

Hospital-based HHAs also appear to serve a different mix of patients than those served by the general home health population and those in the "other" category. (See table 3.) Hospital-based facilities serve a somewhat higher proportion of patients diagnosed with heart failure, osteoarthritis, hip fracture, and pneumonia than the general Medicare home health population, but fewer patients with a primary diagnosis of diabetes and hypertension.

Figure 2: Frequency Distribution of Total Visits Per Beneficiary (1993)

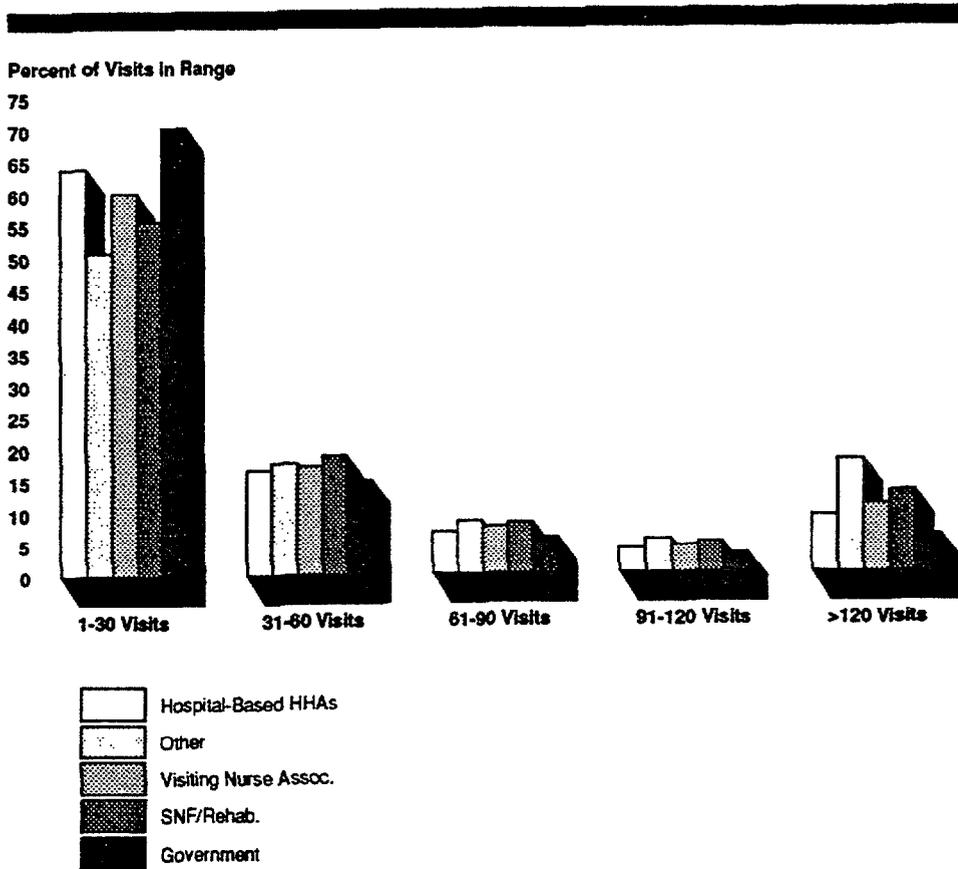


Table 3: Percent of Persons Receiving Home Health Services by Principal Diagnosis (1993)

Diagnosis	ICD-9 code	All HHAs	Hospital-based	Other*
Diabetes	250	7.8	6.5	9.1
Heart failure	428	7.3	7.7	6.9
Hypertension	401	4.5	3.2	5.7
Osteoarthritis	715	4.3	4.7	4.2
Acute cerebrovascular	436	4.2	4.3	4.6
Chronic airway obstruction	496	3.2	3.3	2.9
Chronic ulcer of skin	707	2.8	2.4	2.7
Hip fracture	820	2.7	2.9	2.6
Unspecified heart disease	414	2.1	2.2	1.9
Pneumonia	486	1.9	2.2	1.8

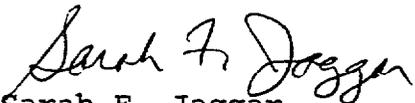
\*Includes for-profit and private nonprofit.

Source: GAO Analysis; Medicare National Claims History Database.

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Should you have any questions, please call me at (202) 512-7119, Tom Dowdal, Assistant Director, at (202) 512-7123, or Tricia Davis, at (202) 512-3011.

Sincerely yours,

  
 Sarah F. Jaggär  
 Director, Health Financing  
 and Public Health Issues

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