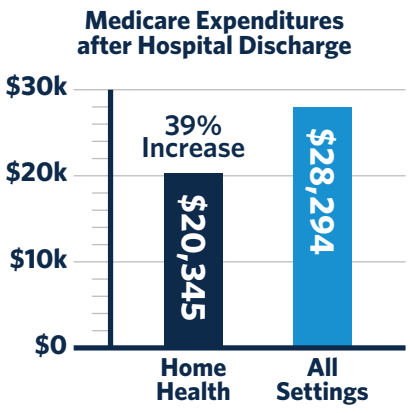
Clinically Appropriate & Cost-Effective Placement (CACEP) Project

In 2012, the Alliance for Home Health Quality and Innovation released a comprehensive report[1] containing findings on Medicare's post-acute care delivery system and how it could be improved. The goal of the Alliance's report – completed by health care economic consultants at Dobson DaVanzo & Associates, LLC – was to understand how Medicare can better meet beneficiary needs and more efficiently utilize resources in the provision of post-acute care services."

The final report reached multiple conclusions, which demonstrate how placing patients in clinically appropriate and cost-effective care settings can improve patient care and lower costs to the Medicare program.

1. Patients with similar clinical and demographic characteristics have considerable overlap in the use of post-acute care settings. Evidence suggests that Medicare could achieve savings by treating patients in the most clinically appropriate and cost-effective settings of care.

Data show Medicare beneficiaries with the same diagnosis in the acute care hospital are receiving care in various post-acute care settings including: home health, skilled nursing facilities (SNFs), and to a more limited extent, inpatient rehabilitation facilities (IRFs), and long-term acute care hospitals (LTCHs). Across all Medicare diagnosis groups, the average 60-day episode expenditures (including the preceding acute care hospital admission) vary widely by formal first setting. For example, Medicare expenditures for a patient treated in home health after hospital discharge average $20,345, compared to an average of $28,294 across all settings.



2. There is great opportunity for reducing Medicare spending through a better understanding of how patients receive care (care pathways) and more efficient placement of patients in settings that are clinically appropriate and cost-effective, such as home health.

The CACEP report concluded that the clinically appropriate and cost-effective placement of beneficiaries could lead to $1,339 in savings per Medicare payment episode. Over a 10- year period, these savings would total $34.7 billion to the Medicare program. This is evident in diagnosis specific analysis. For example, the appropriate use of home health as the first post-acute setting following a major joint replacement (MS-DRG 470) could save the Medicare program, on average, $5,411 per beneficiary.

3. Medicare could achieve $100 billion in savings over 10 years.

If the clinically appropriate and cost-effective placement of Medicare beneficiaries were coupled with payment reforms that encourage care reengineering and reduce post-acute care spending (excluding the index hospitalization) by 7.5 percent, such as bundled payment policies, the report estimates Medicare could save $100 billion over a 10-year period, from 2014 – 2023.

1 Allen Dobson, et al., Improving Health Care Quality and Efficiency ("Final Report"), Clinically Appropriate and Cost-Effective Placement (CACEP) Project, Dobson | DaVanzo (Nov. 9, 2012), http://ahhqi.org/images/pdf/cacep-report.pdf.