

OASIS Alert

Benchmarking: Identify Profitability Barriers Using Your OASIS Data Using Your OASIS Data

Slight increase in case mix equals dramatic increase in revenue.

You may prefer caring for patients to looking at data, but unless your agency is profitable, it won't be there to provide care.

The Medicare prospective payment system is the best payor for home health agencies -- if you manage it well, Portland, OR-based consultant **Jan Potts** told listeners in an educational session "Getting to the Bottom of It: Understanding the Drivers Underlying Your Financial Performance" at the **National Association for Home Care & Hospice's** annual meeting in Seattle.

Managing your payor mix can improve profitability. So can increasing the volume of patients. But keep in mind not all episodes are profitable, Potts warned. Benchmark and drill down in your data to find opportunities to improve profitability.

Helpful: When looking at volume, also track episodes per patient, Potts advised. You want the number of patients growing, not the number of episodes per patient.

Potts uses an average of episodes per patient of 1.24 to 1.4. Look at the year as a whole, not just the first half, because the number will increase as the year progresses. If you vary much from the average, ask yourself why.

Case Mix Weight Average Is One Key

The case mix weight is the true driver of the PPS episode reimbursement amount, explains billing consultant M. **Aaron Little, CPA** with **BKD Health Care Group** in Springfield, MO.

The bottom line: If an agency with 500 episodes a year (using the Springfield, MO wage index adjustment) increased its average case mix weight from 1.0 to 1.1, it could increase its annual revenue by more than \$80,000, Little tells **Eli**.

But the **Centers for Medicare & Medicaid Services** isn't going to call and tell you about the money you should have collected but didn't. It's up to you to analyze what needs fixing, explained **Danny Hart**, CPA with Jackson, MS-based **Home LLP**, speaking at the same NAHC session.

To diagnose your agency's payment challenges, analyze your episodes in a variety of ways, Potts suggested, especially by case mix weights (acuity) and by diagnosis. This helps you identify your most profitable and least profitable episodes.

Drill Down In Case Mix Weight To Really Understand It

Overall, the average case mix weight is 1.24 to 1.28, said Potts. But you need to know more than that to analyze your agency's performance:

- **Identify your agency's average case mix weight.** Look at the weight at final payment, not just the weight at start of care, Hart warned. Final case mix weight will be lower for a number of reasons. For example, high therapy threshold episodes -- those with 10 or more therapy visits -- will have a higher case mix weight at start of care. But a percentage of those will not actually receive 10 visits. Also significant change in condition (SCIC) revisions and coding changes will lead to lower-than-expected case mix weights.

Caution: Separate low utilization payment adjustment (LUPA) episodes from non-LUPA episodes, Potts instructed. LUPAs are episodes with four or fewer visits in the whole episode. "LUPA case mix weights will dilute non-LUPA case mix weights and skew your understanding of your performance," Potts warned. So if you remove the LUPAs, your case mix weight will increase.

Tip: Also analyzing your case mix weights with high therapy episodes excluded can be a reality check, Potts said. This addresses industry concerns about CMS deciding to cut payments for episodes with significant numbers of therapy visits. The analysis shows what your agency's case mix is without the extra therapy payment, she noted. This analysis lets you plan ahead for what to do if CMS does change this payment.

- **Use internal benchmarks.** Compare your agency's case mix weight in one quarter or year with that of the previous period, Potts recommended. You want to be on top of changes -- either up or down -- she said. Even a significant increase in case mix weight could indicate problems, she cautioned.

Example: You could have a new coder who is coding incorrectly, artificially raising your case mix weight. Or you could have made changes in your approach to therapy use and may want to be sure this is being done correctly, Potts said.

- **Focus on factors affecting case mix weight.** OASIS accuracy is a "very, very key driver in terms of your revenue," Potts reminded. Use every training and support effort you can to improve OASIS accuracy and determine the appropriate home health resource group (HHRG) score, she said. Downcoding because of inaccurate OASIS answers and diagnosis codes can significantly decrease your episode payment.

Be sure you are getting the HHRG ratings and points your patients deserve. Inaccurate OASIS answers can lead to a lower HHRG than the episode should have -- and therefore a smaller episode payment, experts warn.

Tip: A look at your top five HHRGs will tell you if they are profitable. If not, you should look more closely to analyze clinical practice patterns, Potts said. You'll always have some money-losing episodes, but be sure they're unavoidable.

Note: For a quick way to analyze your case mix distribution, see OASIS Alert, Vol. 5, No. 11.