# Post-Acute Care Industry Trend Report

## 2023 EDITION

Trella HEALTH

Trellahealth.com | info@trellahealth.com

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**ABOUT OUR DATA SOURCES**

As one of only a few companies in the country deemed an Innovator under CMS's Virtual Research Data Center Program, Trella Health has access to 100% of Medicare Part A and Part B claims and Medicare Advantage data. The findings presented in this report were derived from Medicare FFS claims data through 2022 Q3, with the exception of the "National Medicare Advantage Penetration" and "Medicare Advantage Penetration by State" data. These metrics were derived from the Monthly Medicare Enrollment data published by CMS through November 2022.

# A Note from Scott Tapp
## CEO, Trella Health

> We understand the importance of staying ahead of the curve – and this report reflects our commitment to excellence and innovation.
>
> – Scott Tapp, CEO, Trella Health

I could not be more excited to present the 2023 edition of our highly anticipated Post-Acute Care Industry Trend Report. I encourage you to leverage the findings presented in this report to inform your strategic planning and decision-making processes – with the goal of driving positive outcomes for your organization and the well-being of the patients you serve.

We understand the importance of staying ahead of the curve. Our annual industry trend report is just one example of how we are working to promote post-acute care utilization and help providers establish benchmarks for organizational growth.

This report analyzes home health, hospice, and skilled nursing market performance at national and state levels – highlighting emerging trends and market insights. The insights presented in this report were derived from the most recent and complete data available from the Centers for Medicare & Medicaid Services.

Below are a few notable findings from this year's report:

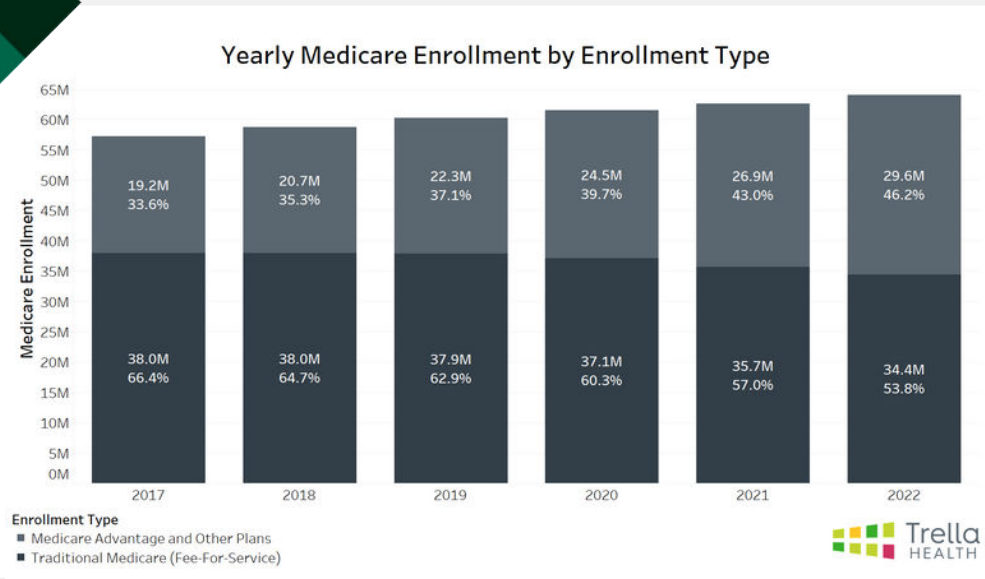
- Year-over-year FFS admissions in 2022 Q3 fell by 8.6% for home health, stagnated for hospice at a 0.1% decrease, and grew by 5.8% for skilled nursing – continuing a more erratic trend due to the lasting impacts of the COVID-19 pandemic.
- FFS inpatient discharge instructional rates for home health and skilled nursing reverted closer to pre-pandemic levels between 2021 Q3 and 2022 Q3. However, it remains to be seen whether they will stabilize or find a "new normal" post-pandemic.
- Inpatient utilization of home health, hospice, and skilled nursing agencies also moved closer to pre-pandemic levels. Notably, adherence to home health and hospice discharge instructions remains higher than 2019 benchmarks. However, while skilled nursing adherence increased from the previous reporting period, more progress needs to be made to reach pre-pandemic levels.
- Medicare Advantage enrollment continues to inch closer toward half of Medicare-eligible beneficiaries, sitting at 46.2% in late 2022 with the potential to eclipse 50% as soon as 2024.

At Trella Health, we remain committed to providing valuable resources and solutions to help drive positive outcomes for the post-acute care industry. We thank you for taking the time to review this year's Post-Acute Care Industry Trend Report.

Sincerely,

J. Scott Tapp
CEO

# National Medicare Advantage Penetration




## KEY TAKEAWAYS

- National MA enrollment grew to 29.6M in 2022 and may eclipse 50% of Medicare-eligible beneficiaries as soon as 2024.
- National FFS enrollment continues its downward trend, decreasing by 1.3M (3.4%) between 2021 and 2022.
- Post-acute care agencies must support the decrease in total cost of care for Medicare beneficiaries to compete for and win profitable MA contracts.

## NATIONAL MA ENROLLMENT CONTINUES TO GROW WHILE FFS ENROLLMENT DECLINES

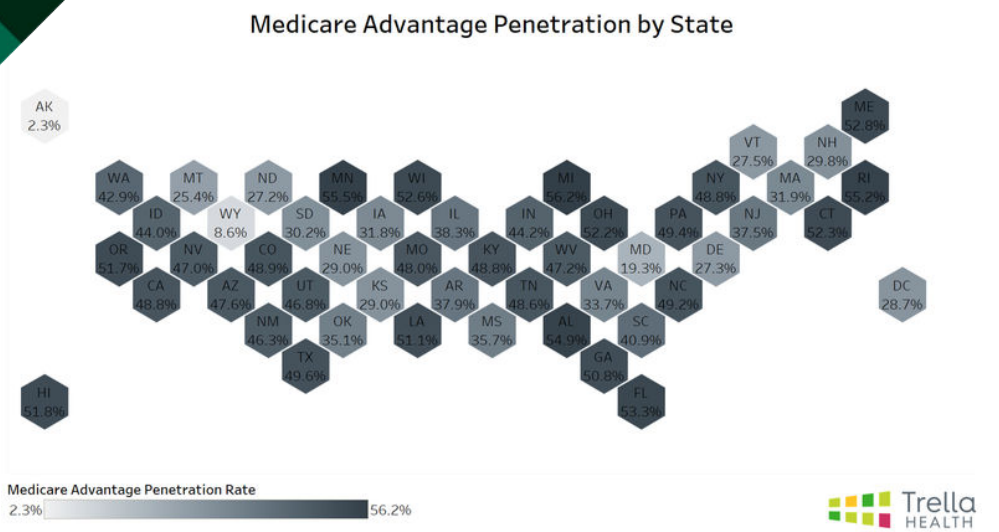
Medicare Advantage (MA) enrollment grew by 10.0% between 2021 and 2022, from 26.9M to 29.6M. Similarly, MA enrollment grew by 10.0% between 2020 and 2021 and 9.5% between 2019 and 2020. If annual MA enrollment continues to increase between 9 and 10 percent in the coming years, MA plans could cover over half of Medicare-eligible beneficiaries as soon as 2024. Comparatively, Medicare Fee-for-Service (FFS) enrollment continued its downward trend, decreasing by 1.3 million (3.4%) between 2021 and 2022.

The Medicare-eligible population increased by 2.3%, from 62.6M in 2021 to 64.1M in 2022. MA enrollment increased faster (10.0%) than the overall Medicare population (2.3%), indicating many beneficiaries covered by FFS in 2021, likely enticed by factors such as added benefits and lower out-of-pocket costs, switched to an MA plan in 2022.

## TOTAL COST OF CARE DATA IS PARAMOUNT

To negotiate favorable reimbursement rates from MA plans, post-acute care agencies must demonstrate their ability to reduce overall healthcare coverage costs. Post-acute care agencies that can prove the ability to deliver quality care at a cost that is lower than direct or indirect competitors stand a better chance of securing favorable MA contract rates.

# Medicare Advantage Penetration by State




## KEY TAKEAWAYS

- MA plan expansion continues to target densely populated geographies, indicated by New England states having the highest increase in MA penetration over the last 5 years.
- Low YoY rates of increase in states with high MA penetration suggest market saturation in these areas.
- Geography-specific plan enrollment and PAC utilization data are necessary to target and land beneficial MA contracts.

## LONG-TERM MA EXPANSION STRATEGY TARGETED POPULATION-DENSE STATES

Between 2017 to 2022, Medicare Advantage (MA) plan expansion has been more prevalent in densely populated areas of the US. For example, in New England states such as Maine, Connecticut, and New Hampshire, penetration rates have grown significantly over the last five years, ranging from 18.9 to 24.5 percentage points. Maine had a penetration rate of 28.2% in 2017, which increased to 52.8% in 2022 (24.5 percentage points).

MA plan expansion in population-dense states, however, is not a fixed rule. For example, Maryland had a penetration rate of 11.3% in 2017 and a rate of 19.3% in 2022 – an 8-percentage point increase. Meanwhile, Massachusetts had a rate of 22.8% in 2017 and a rate of 31.9% in 2022, resulting in only a 9.2 percentage point increase. One potential explanation for the lower increase rates in these states is limited access to high-quality MA plans.

## RURAL STATES SEEING HIGH PENETRATION RATE INCREASES

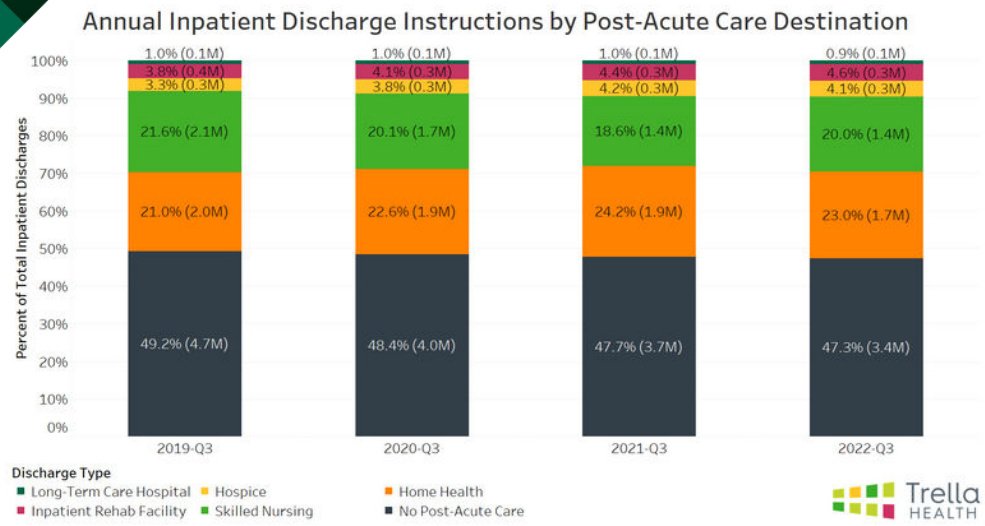
Between 2021 and 2022, southern and middle American states emerged with significant MA penetration rate increases. For example, Mississippi, Kentucky, Nebraska, and North Carolina had penetration rate increases ranging from 4.5 to 5.9 percentage points from 2021 to 2022, much higher than the overall national penetration rate increase of 3.2 percentage points.

In contrast, some states with high MA penetration rates are experiencing lower year-over-year increases, possibly due to market saturation. For example, California, Hawaii, Arizona, and Florida all have penetration rates ranging from 48.8 to 53.3 – higher than the national average (46.2%). However, these four states only had a slight increase rate between 2021 to 2022.

## MA ENROLLMENT DATA SHOULD INFORM EXPANSION STRATEGIES

When post-acute agencies evaluate markets for expansion, localized MA enrollment data, by plan, should be considered. Agencies should prioritize markets where their outcomes align with the requirements of the MA plans prevalent in the markets.

# Inpatient Discharges by Post-Acute Care Instruction




## KEY TAKEAWAYS

- The percentage of inpatient discharges with a post-acute care disposition continues its minor upward trend, increasing from 52.3% to 52.7% between the 2021 Q3 and 2022 Q3 reporting periods.
- A 1.4 percentage point increase in the rate of skilled nursing discharge instructions and a 1.2 percentage point decrease in the rate of home health discharge instructions indicate a reversion to pre-pandemic post-acute care discharge instruction rates.

## PATIENTS DIRECTED TO POST-ACUTE CARE TRENDED SLIGHTLY UPWARD

The percentage of inpatient discharges with post-acute care disposition increased from 52.3% to 52.7% between the 2021 Q3 and 2022 Q3 reporting periods. The increase in inpatient discharge instructional rates to post-acute care is driven by many factors, including a reduction in COVID-19-related hospitalizations and higher average acuity of inpatient discharges.

Rolling four-quarter total inpatient discharges between 2021 Q4 and 2022 Q3 compared to 2020 Q4 and 2021 Q3 decreased from 7.7M to 7.2M. Despite a massive wave of COVID-19 infections in 2021 Q4 and 2022 Q1, FFS inpatient discharges decreased compared to the previous rolling four quarters. Medicare vaccination rates may have contributed to fewer COVID-19 related admissions and, thus, discharges.

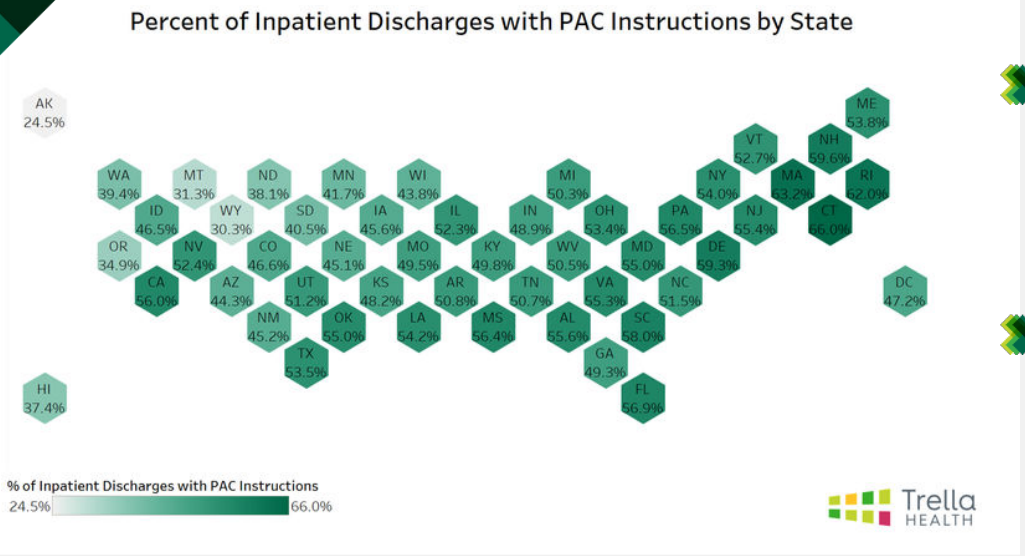
## SKILLED NURSING AND HOME HEALTH DISCHARGE INSTRUCTIONS REVERT TO PRE-PANDEMIC LEVELS

Recent changes in discharge instructions for skilled nursing facilities and home health indicate a reversion to pre-pandemic rates. Between the 2021 Q3 and 2022 Q3 reporting periods, the percentage of inpatient discharges instructed to seek skilled nursing care increased by 1.4 percentage points, from 18.6% to 20.0%. However, home health instructional rates decreased by 1.2 percentage points during the same period, from 24.2% to 23.0%. These movements between the 2021 Q3 and 2022 Q3 reporting periods are closer to pre-pandemic rates, 21.6% for skilled nursing and 21.0% for home health.

While the percentage of inpatient discharges with PAC instructions increased, the increase in home health instruction rates was likely due to SNF access issues resulting from the pandemic.

While it remains to be seen whether the pandemic induced a broader change in preferences for at-home care that will continue beyond the pandemic, the recent reversion of discharge instructions to pre-pandemic rates indicates renewed comfort with the skilled nursing care setting. Moreover, given the widespread distribution of COVID-19 vaccines, this trend may return to pre-pandemic rates in the coming years.

# PAC Adherence and Instructional Variation by State




## KEY TAKEAWAYS

- Geographic variation in discharge instructions to PAC may indicate an unmet demand for post-acute care, or physician or facility underutilization; both represent an opportunity for provider expansion.
- Adherence to inpatient discharge instructions increased between the 2021 Q3 and 2022 Q3 reporting periods as follows:
  - Home Health: 71.2% to 71.6%
  - Hospice: 90.7% to 91.3%
  - Skilled Nursing: 85.5% to 85.6%

## CONSIDER MARKETS WITH LOW DISCHARGE INSTRUCTION RATES IN YOUR EXPANSION STRATEGY

States or counties with low rates of inpatient discharge instructions to PAC may indicate unmet demand for PAC services in that area. Further drill down in these markets will identify hospitals with PAC instructions below national benchmarks.

Once identified, PAC agencies should evaluate if they can drive a value proposition in these hospitals and consider expansion when the answer is affirmative.

Inpatient discharges that received new home health instructions upon discharge from an inpatient stay and adhered to them had a 2.6 percentage point lower readmission rate (13.1%) than discharges that did not adhere (15.7%).

Reduced readmissions subject to readmission penalties plainly illustrate home health agencies' ability to improve outcomes and impact hospitals' reimbursement rates for FFS patients.

## ADHERENCE RATES TO PAC INSTRUCTIONS INCREASED

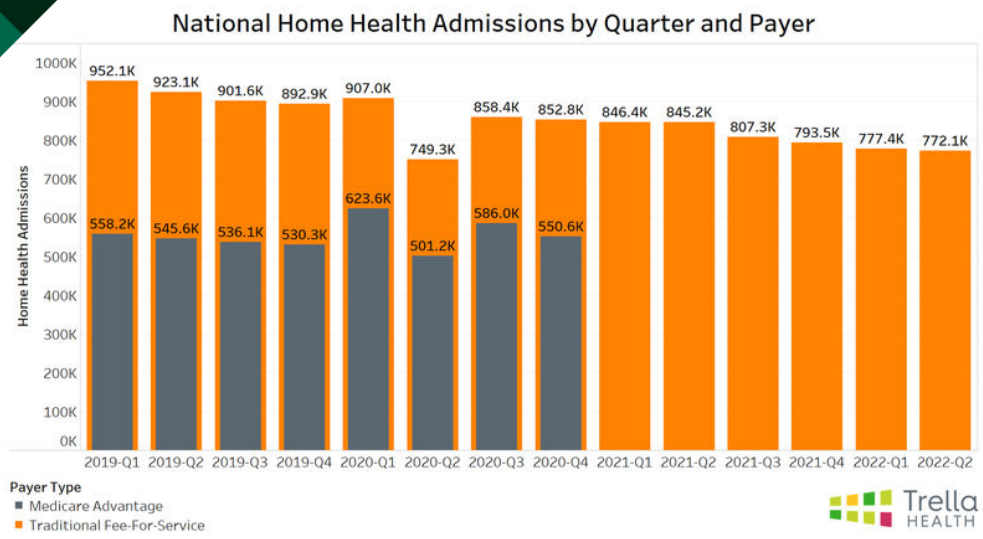
Adherence[1] rates for inpatient discharge instructions to home health, hospice, and skilled nursing grew over the last four quarters. For example, between the 2021 Q3 and 2022 Q3 reporting periods, home health adherence grew from 71.2% to 71.6%, hospice adherence increased from 90.7% to 91.3%, and skilled nursing adherence rose from 85.5% to 85.6%.

Despite higher adherence rates, many inpatient discharges are not receiving hospice instructions but are still admitted to a post-acute care agency. For example, of the 547.8K hospice admissions within 30 days of an inpatient stay – only 272.5K or 50.3% were discharged with a hospice disposition.

The gap between the total number of admissions to a post-acute care agency – regardless of instructions and the number of admissions instructed to pursue PAC – indicates that discharges appropriate for post-acute care were missed when discharged from a hospital. PAC agencies must continue collaborating with hospitals on PAC-appropriate patients to ensure FFS beneficiaries receive the highest quality of care possible.

[1] Adherence is calculated as the number of episodes that were admitted to a post-acute care line of service within 30 days of inpatient discharge divided by the total number of episodes that were instructed to enter that line of service. For example, home health adherence is calculated as the total number of episodes admitted to a home health agency within 30 days of service, divided by all discharges with home health instructions.

# Home Health Admissions, 2019 – 2022 Q2




## KEY TAKEAWAYS

- National year-over-year FFS home health admissions decreased from 845.2K in 2021 Q2 to 772.1K in 2022 Q2, an 8.6% drop.
- Compared to 2019 Q2, FFS home health admissions decreased by 16.4%, 7.3 percentage points higher than the 9.1% decrease in FFS enrollment.
- MA admissions increased from 558.2k in 2019 Q1 to 623.6k in 2020 Q1, an 11.7% YoY increase.

## FEE-FOR-SERVICE (FFS) HOME HEALTH ADMISSIONS ARE DECREASING FASTER THAN FFS ENROLLMENT

Between 2019 and 2022 – yearly Fee-for-Service (FFS) enrollment decreased by 3.1% on average. Comparatively, between 2020 Q1 and 2022 Q2, year-over-year quarterly home health admissions decreased by an average of 5.6% (6.3% when excluding 2020 Q2 and 2021 Q2). Juxtaposing 2019 and 2022 directly, between 2019 Q2 and 2022 Q2, FFS home health admissions decreased by 16.4%, while FFS enrollment declined by 9.1%.

One reason home health admissions decrease faster than FFS enrollment could be the substantial drop in FFS inpatient discharges. Year-over-year changes in FFS inpatient discharges illustrate significant drops: 13.7% between 2019 Q3 and 2020 Q3, 7.3% between 2020 Q3 and 2021 Q3, and 5.8% between 2021 Q3 and 2022 Q3. Inpatient discharges during the 2019 Q3 and 2022 Q3 reporting periods dropped by 24.6% (from 9.59M to 7.23M), an even higher percentage point decrease from FFS enrollment than HH admissions.

The initial lockdown in March 2020 explains the 13.7% drop between 2019 Q3 and 2020 Q3. The 5.8% decrease between 2021 Q3 and 2022 Q3 is still higher than the 3.1% average decrease in FFS enrollment. Lower FFS inpatient discharge volume may be a significant driving factor in lower FFS home health admissions.

## ANNUAL MEDICARE ADVANTAGE HOME HEALTH ADMISSIONS INCREASED IN 2020, DESPITE THE PANDEMIC

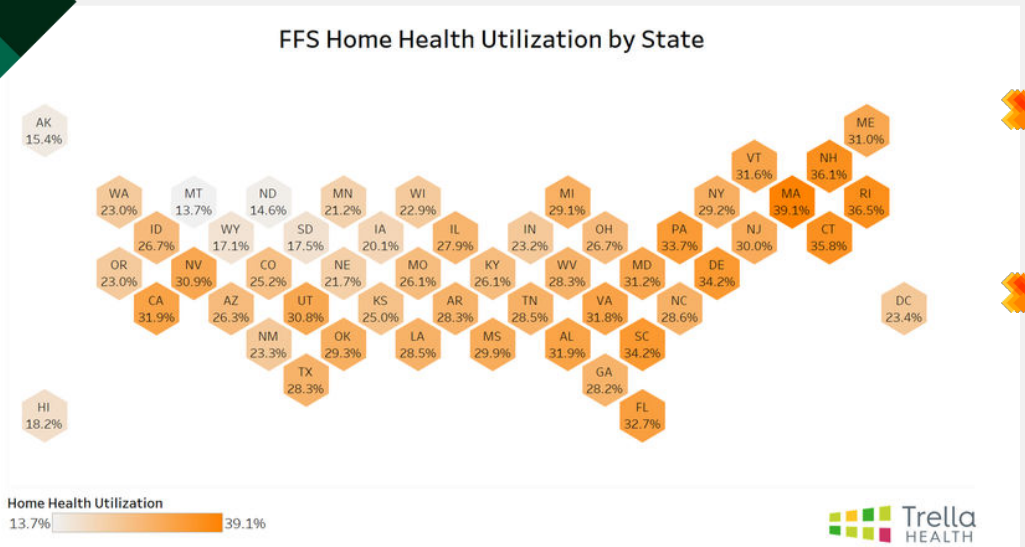
National MA home health admissions had increases that aligned with their enrollment trends. Between 2019 and 2020, national MA enrollment increased by 9.5%, from 22.3M to 24.5M.

Before the complete US lockdown, MA admissions between 2019 Q1 and 2020 Q1 increased from 558.2K to 623.6K, an 11.7% increase. After the initial lockdown was eased, year-over-year MA admissions increased by 9.3% in 2020 Q3.

One potential explanation for the alignment between the increase in MA enrollment rates and admissions could be geography. MA enrollment tends to be much higher in more densely populated and metropolitan counties, where providing home health services is logistically easier.

Therefore, if MA plans gained enrollees with higher access to home health agencies, their admissions increase despite the COVID-19 lockdown makes sense.

# Home Health Utilization and Adherence




## KEY TAKEAWAYS

- National home health utilization and discharge instruction rates decreased year-over-year but remained above pre-pandemic levels.
- Utilization decreased from 29.5% in the 2021 Q3 reporting period to 29.1% in the 2022 Q3 reporting period – inpatient discharge instruction rates to home health decreased from 24.2% to 23.0% for the same reporting periods.

## HOME HEALTH UTILIZATION AND INPATIENT DISCHARGE RATES ARE ABOVE PRE-PANDEMIC BENCHMARKS

Even though home health admissions decreased faster than FFS enrollment in the last few years – national home health utilization and the rate of inpatient discharge instructions to home health have increased since 2019. Home health utilization in 2019 Q3 was 28.1%, a full percentage point below the 2022 Q3 reporting period of 29.1%.

Additionally, inpatient discharges in the 2022 Q3 reporting period were 2 percentage points higher (23.0%) than the 2019 Q3 reporting period rate (21.0%). Utilization and adherence rates higher than pre-pandemic levels indicate the drop in FFS home health admissions is a better explanation for the overall decrease in national home health admissions than changes in these metrics.

Worryingly for the home health industry, however, the most recent change in rolling four-quarter home health utilization and discharge instructional rates may indicate a reversion to pre-pandemic levels. If this trend continues and levels return back to pre-pandemic rates, home health admissions could continue to experience decreases that far out-pace FFS enrollment decreases – leading to a negative impact on home health agencies' revenue.

## CONSIDER LOW HOME HEALTH UTILIZATION MARKETS WHEN EVALUATING EXPANSION OPPORTUNITIES

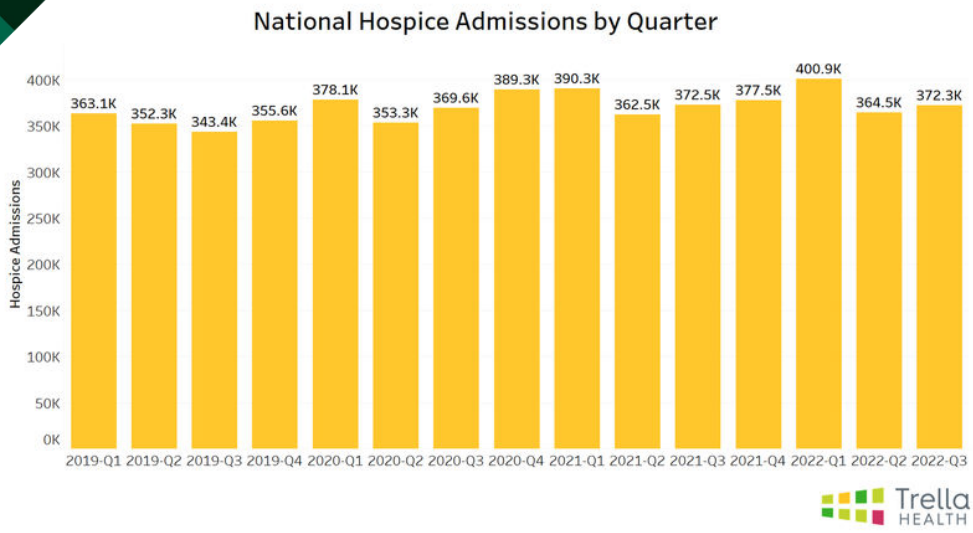
Low home health utilization[2] in a market may indicate unmet demand for home health agencies, or lack of perceived value. In either case, agencies can use localized utilization information to identify areas where increased access to home health services is needed.

For example, in the 2022 Q3 reporting period, home health utilization in Montana was 15.4 percentage points lower than the national average.

While a less densely populated area like Montana may be more difficult to service logistically, the impact of increasing utilization may drive significant referral volume.

[2]Utilization is calculated as the number of patients discharged from an inpatient stay and admitted to a home health agency in the last four quarters divided by all inpatient discharges for the last four quarters.

# Hospice Admissions, 2019 – 2022 Q3




## KEY TAKEAWAYS

- National year-over-year hospice admissions decreased by 0.1% in 2022 Q3, from 372.5K in 2021 Q3 to 372.3K in 2022 Q3. However, year-over-year hospice admissions increased in the first two quarters of 2022 by 2.7% in Q1 and 0.6% in Q2.
- The number of Medicare beneficiaries who died decreased by 8.8%, from 664.7K in 2021 Q3 and 606.4K in 2022 Q3, contributing to the slight decline in hospice admissions.

## YEAR-OVER-YEAR HOSPICE ADMISSIONS STAGNATED IN 2022 Q3

The consistency of national year-over-year hospice admissions in 2022 Q3 may be surprising given the continuous discussion of an aging population. Long-term demographic trends suggest hospice admissions should always increase year-over-year as the baby boomer generation nears typical hospice ages.

However, in the short-term, hospice admissions in 2021 and 2022, data are still significantly impacted by the effects of COVID-19. Waves of mortalities shown in 2020 Q4, 2021 Q1, 2021 Q4, and 2022 Q1 coincide with high rates of COVID-19 infection, skewing quarterly year-over-year metrics to show temporary shifts that may not directly align with longer-term trends.

## YEAR-OVER-YEAR NATIONAL MEDICARE (FFS AND MA) MORTALITIES DECREASED IN 2022 Q3

National year-over-year Medicare mortalities decreased by 8.8% in 2022 Q3, compared to a 0.3% and 0.4% increase in 2022 Q1 and Q2, respectively. The significant year-over-year decrease in 2022 Q3 could be explained by higher COVID-19 vaccination rates, increased recovery rates for COVID-19 patients, and less deadly strains of the virus. All three factors, in conjunction with fewer deaths, point to a healthcare industry recovering from the tumultuousness over the last few years. For hospice agencies, year-over-year admissions should begin to stabilize towards typical pre-pandemic year-over-year increases.

## THE LONG-TERM OUTLOOK FOR HOSPICE AGENCIES REMAINS BRIGHT

Considering hospice agencies' proven ability to decrease cost of care at the end of life, CMS's continued march toward value-based care – and a perpetually growing Medicare population – suggests a bright outlook for hospice agencies. Despite 5.4M total Medicare deaths between 2020 Q1 and 2021 Q4, the Medicare population grew by 3.8M, from 60.2M in 2019 to 64.1M in 2022. Hospice agencies should continue to invest in demonstrating their ability to provide high-quality care and decrease end-of-life care costs. Hospice agencies that demonstrate their value will position themselves better to meet CMS's value-based care requirements.

**National FFS and MA Mortalities by Quarter**

| 2019 Q3 | 2019 Q4 | 2020 Q1 | 2020 Q2 | 2020 Q3 | 2020 Q4 | 2021 Q1 | 2021 Q2 | 2021 Q3 | 2021 Q4 | 2022 Q1 | 2022 Q2 | 2022 Q3 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 541,307 | 591,212 | 628,692 | 675,732 | 637,802 | 760,864 | 739,331 | 588,218 | 664,684 | 706,894 | 741,509 | 590,422 | 606,368 |

# Hospice Utilization, 2019 Q3 – 2022 Q3

## KEY TAKEAWAYS

- The portion of Medicare decedents that received hospice care in 2022 Q2 and Q3 closely resemble pre-pandemic rates, suggesting a stabilization of this metric after substantial quarter-over-quarter variation during the pandemic.
- There is an inverse correlation between the portion of Medicare mortalities in hospice care within six months of passing and COVID-19 case volume.

| Percentage of Medicare Mortalities that Received Hospice Care | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2019 Q3 | 2019 Q4 | 2020 Q1 | 2020 Q2 | 2020 Q3 | 2020 Q4 | 2021 Q1 | 2021 Q2 | 2021 Q3 | 2021 Q4 | 2022 Q1 | 2022 Q2 | 2022 Q3 |
| 50.2% | 49.4% | 48.4% | 44.5% | 47.3% | 43.7% | 43.6% | 48.5% | 45.4% | 44.5% | 44.4% | 48.7% | 48.8% |

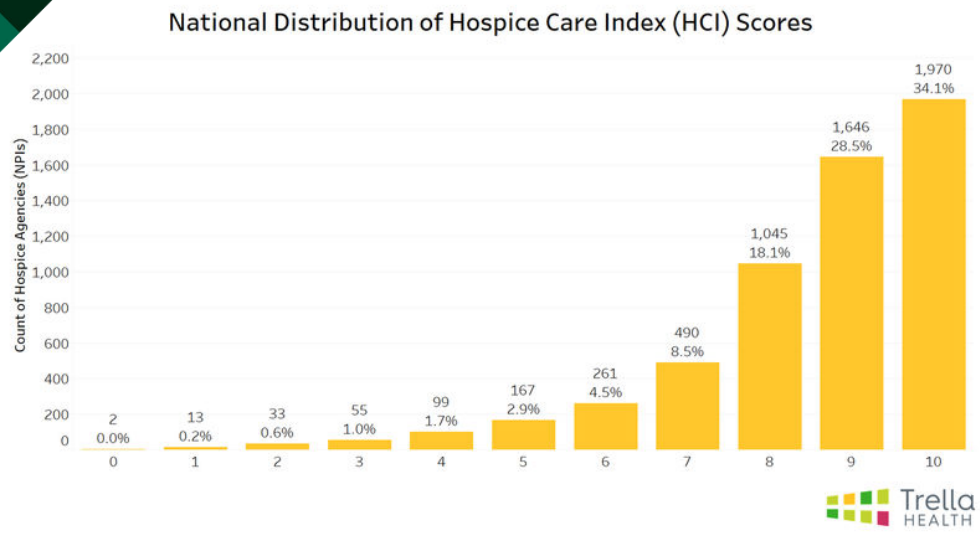
## THE CORRELATION BETWEEN COVID-19 DEATHS AND HOSPICE UTILIZATION

The table above represents the percentage of Medicare beneficiary deaths in an individual quarter with a hospice claim within six months of said death. The table illustrates an inverse correlation between the portion of Medicare patients in hospice care within six months of passing and COVID-19 case volume. For example, in 2020 Q3, the percentage of hospice deaths was lower than in 2019 Q3 but 2.8 percentage points higher than in 2020 Q2 (during the first lockdown) before falling drastically to 43.7% in 2020 Q4 and 43.6% in 2021 Q1 – when the first major COVID-19 wave hit the United States.

The hospice percentage increased in 2021 Q2 when the vaccines were rolled out but decreased in 2021 Q3, with the hospice percentage decreasing from 48.5% in 2021 Q2 to 45.4% in 2021 Q3 and 44.5% in 2021 Q4 before bottoming out at 44.4% in 2022 Q1, coinciding with the largest COVID-19 wave between 2021 Q3 and 2022 Q1.

The average daily COVID-19 cases bottomed out during the start of 2022 Q2, and while there was another wave that occurred in the middle of 2022, most of the Medicare population was fully vaccinated and so the small bump in COVID-19 cases during these quarters didn't drastically decrease the hospice percentage of deaths.

# Hospice Care Index Analysis




## KEY TAKEAWAYS

- The methodology used by CMS to calculate an agency's HCI score leads to a concentrated quality assessment that makes it difficult for agencies to use the HCI for differentiation – 80.7% of agencies have an HCI score of 8 or higher.
- Agencies should utilize their higher quality performance on individual HCI metrics to differentiate themselves from local competitors better and to illustrate quality differences not captured by the binary HCI score.

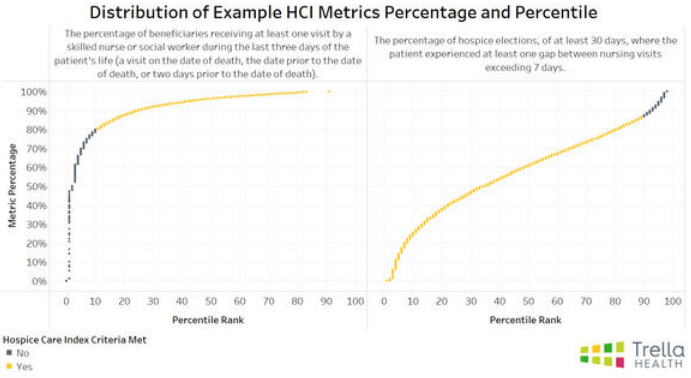
## THE HOSPICE CARE INDEX ALONE MAY NOT CLEARLY DEMONSTRATE QUALITY DIFFERENCES

The HCI's methodology, calculated by adding whether a hospice agency met a certain criterion for each of the ten contributing claims-based quality metrics, uses percentile positions to determine criteria for each metric. This formula works well for translating complex individual quality measures into an understandable aggregate score. However, the relatively low bar for reaching each criterion (often whether an agency's metric value is better than the lowest performing 10% of hospice agencies) means 90% of hospice agencies will attain a value of 1 for each metric. Because of this methodology, 80.7% of agencies have an HCI score of 8 or higher.

## DEEPER ANALYSIS OF INDIVIDUAL HCI CRITERIA YIELDS BETTER QUALITY DIFFERENTIATION

To illustrate the limitations of HCI's methodology, the distribution of example HCI metrics shows the percentile rank and actual value of the metric of all hospice agencies in the U.S. Every agency colored in yellow earned an HCI score point for the indicated metric. The first metric, the percentage of beneficiaries that received at least one visit by a skilled nurse or social worker in the last three days of life, shows a limited range of values for hospices that earned a point on this criterion. Any hospice that had at least one skilled nurse or social worker visit in the last three days of a patient's life – for 80% or higher of their patients – earned a point.

Comparatively, the percentage of 30+ day hospice elections with a 7-day gap between nursing visits demonstrates an extensive range of potential values for agencies that earned a point. If a hospice agency earned a point for this metric, they could have a 7-day nursing visit gap for none of their 30+ day hospice elections, or as much as 85% of their 30+ day hospice elections. This type of analysis can be used to further differentiate your hospice agency's commitment to quality above that communicated through the HCI score. Agencies can use performance on individual metrics to show hospitals and physicians that there can be massive differences in these quality metrics despite equal HCI scores.



# Preliminary Impact of VBID Hospice Carve-in

## KEY TAKEAWAYS

- Hospice organizations active in areas with high MA penetration rates should use localized VBID plan participation and enrollment data to target MA plans for contracts in 2024 and beyond.
- While CMS projections indicate beneficiaries enrolled in an MA plan participating in any aspect of the VBID Model have increased significantly over the last three years, beneficiaries enrolled in a VBID plan participating in the hospice carve-in component have increased modestly (606K in 2021, 1.03M in 2022, and 1.17M in 2023).

## HOSPICES IN HIGHLY PENETRATED MA MARKETS SHOULD CONSIDER MA PLAN OUTREACH IN THEIR LONG-TERM GROWTH STRATEGY

Hospice agencies should use localized Medicare Advantage enrollment, overall Value-Based Insurance Design (VBID) Model participation, and hospice carve-in participation to understand how the VBID model will impact their immediate and long-term business strategy. Since MA penetration rates vary significantly by state and even more so by county, data on Medicare population by enrollment should now be an essential aspect of strategic growth analyses.

Current MA plan participation in the VBID Model could indicate interest in an expansion into the hospice carve-in, meaning even if MA plans in a hospice agency's serviceable region haven't opted for the hospice carve-in now – plans participating in any aspect of the VBID Model should be prioritized for outreach to develop care coordination relationships and attain first mover advantages.

## MODEST INCREASES IN NATIONAL BENEFICIARIES IMPACTED BY THE MA HOSPICE CARVE-IN UNDERSTATE THE NEED FOR PROACTIVE ADJUSTMENT BY HOSPICE AGENCIES

While the increase in beneficiaries impacted by the MA hospice carve-in between 2022 and 2023 was only 13.4% (1.03M to 1.17M), smaller geographic areas could quickly undergo significant changes in MA plan interactions. For example, of the 606K MA beneficiaries impacted by hospice carve-in participation in 2021, 55.6% (337K) lived in Puerto Rico, a whopping 44.6% of the Puerto Rican Medicare population.

| | 2020 CY | 2021 CY | R4Q Ending 2022 Q3 |
|---|---|---|---|
| % of Hospice Patients Enrolled in MA Plan Prior to Hospice | 39.9% | 43.3% | 45.2% |
| National MA Enrollment % | 39.7% | 43.0% | 46.2% |

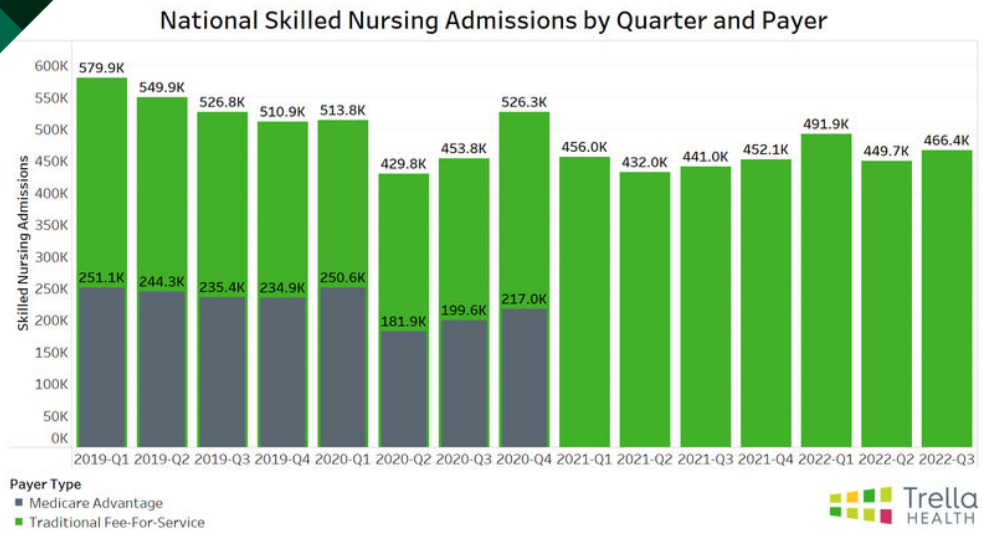
This example illustrates how regions with high Medicare Advantage penetration (81.7% in PR) and high VBID MA plan participation can be quickly and massively impacted. Therefore, proactive outreach and relationship building between hospice agencies and MA plans is necessary to ease the transition between hospice patients covered entirely by FFS reimbursements to a mixture of FFS and MA reimbursements.

## AGENCIES SHOULD MONITOR LOCAL MARKET AND AGENCY MA HOSPICE UTILIZATION TO ENSURE CONTINUED ACCESS TO HOSPICE CARE

In 2020 and 2021, the portion of hospice patients enrolled in a Medicare Advantage plan prior to hospice admission closely resembled national MA penetration rates. To maintain hospice census and admissions trends, agencies should monitor local and national MA hospice utilization rates to understand the impact of the hospice carve-in and address any gaps that may arise from the transition.

Organizations that provide skilled home health and hospice services likely already have the infrastructure in place to monitor movements in regional MA enrollment and plans, so hospice-only organizations should use the time before hospice carve-in enrollment potentially grows to set up monitoring. Proactive investment in MA plan monitoring prior to VBID plan participation will ensure hospice agencies are not blindsided by significant changes like those seen in Puerto Rico in 2021.

# Skilled Nursing Admissions, 2019 – 2022 Q3




## KEY TAKEAWAYS

- Year-over-year national FFS skilled nursing admissions increased in each of the latest three quarters of 2022 data – increasing by 5.8% in 2022 Q3, 4.1% in 2022 Q2, and 7.9% in 2022 Q1.
- Despite increases in the last three-quarters of available FFS data, quarterly skilled nursing admissions have decreased faster than FFS enrollment when comparing 2019 and 2022 directly.

## NATIONAL YEAR-OVER-YEAR SKILLED NURSING ADMISSIONS INCREASED IN EACH OF THE LAST THREE QUARTERS

In the last three quarters, there has been a year-over-year increase in skilled nursing admissions – increasing by 5.8% in 2022 Q3, 4.1% in 2022 Q2, and 7.9% in 2022 Q1. These increases can be partially attributed to a slight 1.4 percentage point uptick in inpatient discharges instructed to receive skilled nursing care.

Additionally, the percentage of inpatient discharges that complied with skilled nursing instructions increased slightly by 0.1 percentage point between the 2021 Q3 and 2022 Q3 reporting periods. Further, compared to the height of the pandemic in 2020 and 2021, staffing challenges seem to have eased in 2022 – further explaining why 2022 skilled nursing admissions increased year-over-year.

## SKILLED NURSING ADMISSIONS DECREASED FASTER THAN FFS ENROLLMENT

Despite increases in the last three-quarters of available data, quarterly skilled nursing admissions have decreased faster than FFS enrollment when comparing 2019 and 2022 directly.

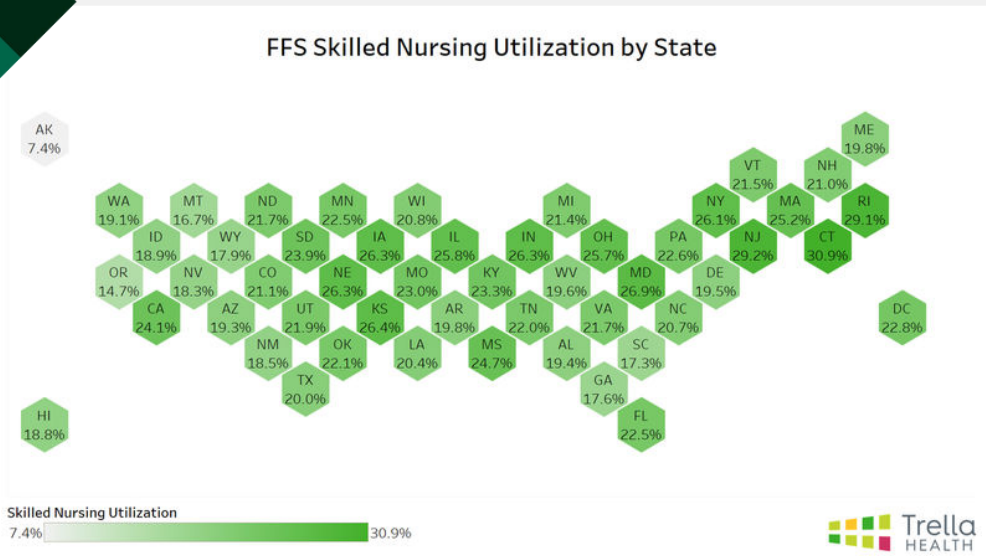
From 2019 to 2022, FFS enrollment decreased by 9.1% (37.9M to 34.4M). However, skilled nursing admissions during the first three quarters of 2022 decreased by 15.0% (from 1.66M to 1.41M) compared to the first three quarters of 2019.

This data means the latest year-over-year increases in 2022 don't compensate for the substantial decrease in SNF admissions amid the height of the pandemic – further illustrating the long-term impact of the COVID-19 pandemic on the SNF industry.

## MEDICARE ADVANTAGE SKILLED NURSING ADMISSIONS DECREASED DURING 2020, DESPITE AN INCREASE IN ENROLLMENT

From 2019 to 2020, there was a 12.1% decrease in Medicare Advantage (MA) skilled nursing admissions. Notably, the metrics during this time frame reflect the impact the COVID-19 pandemic had on skilled nursing facilities' ability to service MA patients adequately and resembles the 11.2% annual decrease in FFS admissions (2.17M in 2019 to 1.92M in 2020). However, between 2019 and 2020, national MA enrollment increased by 9.5% while FFS enrollment decreased by 2.1%. Even with this increase in beneficiaries covered by an MA plan, skilled nursing admissions still decreased.

# Skilled Nursing Utilization




## KEY TAKEAWAYS

- National SNF utilization increased year-over-year from 21.5% for the rolling four quarters ending in 2021 Q3 to 22.7% for the rolling four quarters ending in 2022 Q3.
- Over the last four quarters, national SNF utilization remained 2.0 percentage points below the 2019 Q3 reporting period (24.7% compared to 22.7%).
- Geographic variation in skilled nursing utilization rates could indicate expansion opportunities.

## NATIONAL SKILLED NURSING UTILIZATION INCREASED YEAR-OVER-YEAR

National skilled nursing utilization[3] increased year-over-year from 21.5% for the rolling four quarters ending in 2021 Q3 to 22.7% for the rolling four quarters ending in 2022 Q3. This year-over-year utilization increase contributed to year-over-year admissions to quarterly skilled nursing admissions.

The increase could also reflect the changing attitude from fears of SNFs representing COVID-19 transmission hotspots to pre-pandemic understanding of the role of skilled nursing in the overarching healthcare ecosystem.

## SNF UTILIZATION REMAINS SUBSTANTIALLY LOWER THAN PRE-PANDEMIC LEVELS

Despite the latest increase in utilization over the last four quarters, national skilled nursing utilization remains 2.2 percentage points below skilled nursing utilization in the 2019 Q3 reporting period (24.9% compared to 22.7%).

The latest year of data suggests skilled nursing facilities are headed in the right direction but, from a longer-term perspective, obviously still have more work to do to regain the admissions territory lost during the pandemic.

## GEOGRAPHIC VARIATION IN SKILLED NURSING UTILIZATION RATES COULD INDICATE OPPORTUNITIES FOR EXPANSION

Skilled nursing utilization in the lower 48 states and DC varies from 14.7% in Oregon to 30.9% in Connecticut. While at first glance, the utilization appears to correlate with population density (the four states with the highest utilization rates, CT, NJ, RI, and MD, are all in the densely populated northeast), the exceptions to this trend indicate opportunities for any state with a skilled nursing utilization rate lower than the national average.

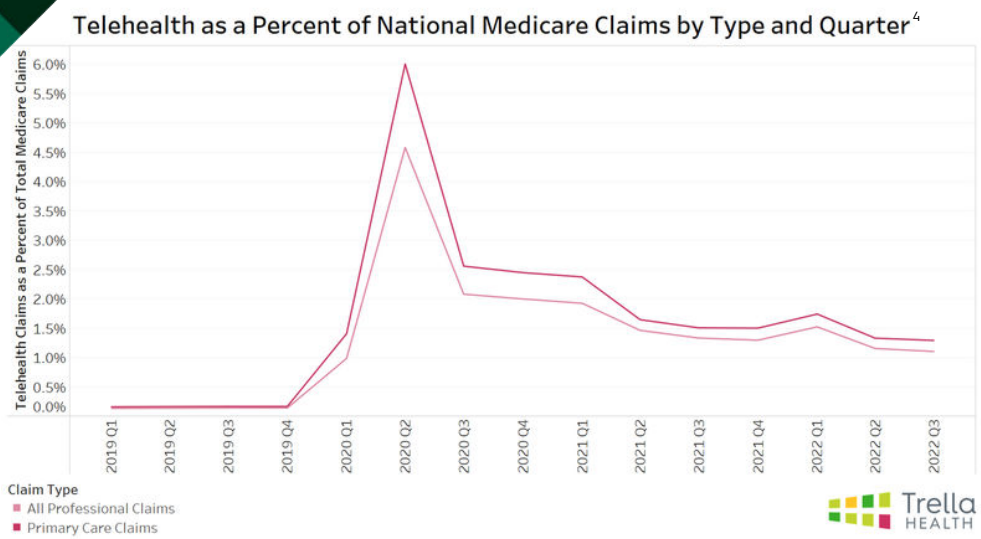
For example, Kansas, the state with the fifth-highest skilled nursing utilization rate, doesn't have the same population density benefits as Rhode Island or Connecticut, yet still has a much higher utilization rate than the national average.

Conversely, states such as South Carolina and Georgia may represent opportunities for expansion since their utilization rates are lower than the national average (17.3% and 17.6%, respectively).

Low skilled nursing utilization rates indicate markets with unmet demand for skilled nursing services and, thus, an opportunity for facility expansion.

[3]Skilled nursing utilization is calculated as the total number of episodes that entered a skilled nursing facility in the last four quarters divided by all inpatient discharges in the same four quarters.

# Continued Analysis on FFS Telehealth Utilization




## KEY TAKEAWAYS

- After a substantial increase in the number of telehealth professionals and primary claims amidst the start of the pandemic, telehealth claims as a percentage of total professional claims continue to decrease year-over-year.
- While quarterly telehealth claims in 2022 are certainly a higher percentage of total claims than in pre-pandemic quarters, it's unclear where telehealth claim rates will stabilize in the years to come.

### NATIONAL YEAR-OVER-YEAR TELEHEALTH UTILIZATION RATES CONTINUE TO DECREASE IN THE FIRST THREE QUARTERS OF 2022

While the initial COVID-19 lockdown in 2020 Q2 pushed Medicare telehealth utilization rates to their peak – continued utilization decreases after vaccine uptake, and lockdown reductions could indicate a patient preference to in-office care.

Initial reports amidst the pandemic indicated widespread desire across beneficiaries for remote access to healthcare. However, decreasing telehealth utilization rates indicate those desires may have been entirely driven by fears around the COVID-19 virus as vaccines allowed for in-person care, and patients returned to their physician's office rather than continued utilization of remote care options.

### FUTURE TELEHEALTH UTILIZATION RATES ARE DIFFICULT TO PREDICT

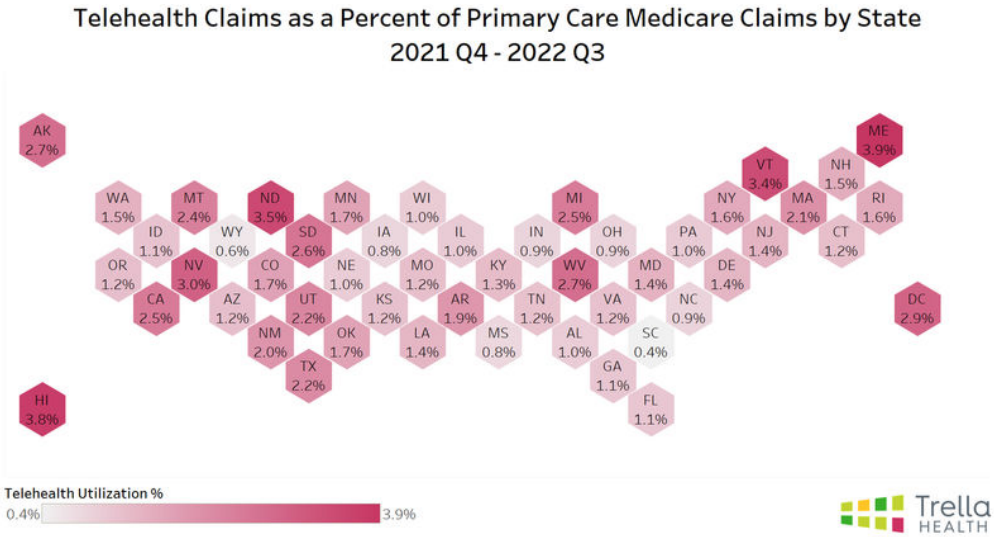
The pandemic necessitated the rapid development and implementation of telehealth services in 2020. Some providers may have already had telehealth infrastructure in place. Still, many may have created a telehealth provision of services process during the pandemic to meet patient healthcare and lockdown requirements simultaneously.

In 2022, with more telehealth infrastructure in place and fewer lockdown restrictions, it was unclear whether the utilization rates for these quarters represent the new, expected baseline or continued fears around the COVID-19 virus continuing to drive utilization rates higher than they would be without a pandemic.

These aspects make it difficult to predict where telehealth utilization rates will stabilize and what portion of professional or primary claims will be delivered through telehealth services in a year where COVID-19 doesn't exist.

[4]Please note, if you are referencing similar data from Trella Health 2021 Industry Trend Report – within the chart "Telehealth as a Percent of Total Medicare Clams, 2019 Q1 – 2021 Q3" – the color labels for the key were inadvertently reversed.

# Continued Analysis on FFS Telehealth Utilization




## TELEHEALTH UTILIZATION VARIES SIGNIFICANTLY ACROSS STATES AND DOESN'T PERFECTLY CORRELATE WITH POPULATION DENSITY

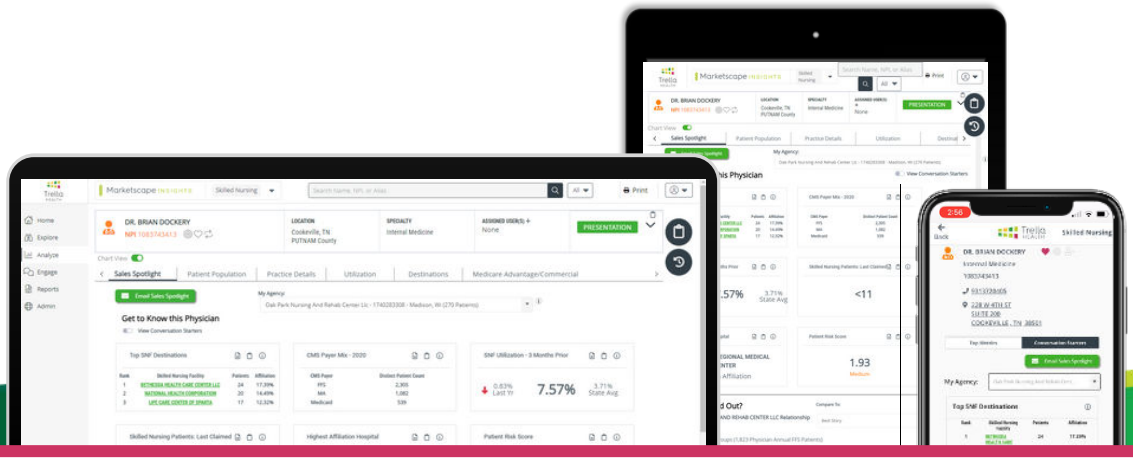
COVID-19 case levels aside, access to telehealth services significantly impacts some Medicare populations more than others. For example, in states with a relatively low population density – where travel times between a beneficiary's home and physician's office increases – we would expect that state-level telehealth utilization would inversely correlate with population density (i.e., as average travel times from home to physician office increase, telehealth utilization would also increase).

While this expected trend rings true for some states, it's not a hard-and-fast rule. For example, North Dakota and Alaska have telehealth utilization rates 2.0 and 1.2 percentage points higher than the national average. However, Wyoming's utilization rate is 0.9 percentage points lower than the national average.

On the other hand, New Jersey and Connecticut have utilization rates lower than the national average (as expected). Still, Maine, Vermont, and Hawaii have some of the highest telehealth utilization rates in the country (3.9%, 3.4%, and 3.8%).

# About Trella Health

Trella Health's unmatched market intelligence and purpose-built CRM allow post-acute providers and suppliers to drive more effective performance and growth. Trella's solutions allow post-acute, HME, and infusion organizations to identify the highest-potential referral targets, evaluate new market opportunities, and monitor performance metrics. Paired with CRM and EHR integrations, business development teams can better manage referral relationships to advance their organizations with certainty by improving their sales and marketing strategy.



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# Post-Acute Care Industry Trend Report

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