Compensation Models in Home Health

Karen Vance OTR
Managing Consultant
BKD Health Care Group
kvance@bkd.com

Vickie Morgan RN MSN
Director of Clinical Operations
Riverside Home Care
vickie.morgan@rivhs.com

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Objectives

- List the most commonly used compensation models in home health
- Identify the compensation model that could resolve barriers to desired outcomes and transition successfully within your own agency's culture and structure.
- Describe the process of transitioning compensation models

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Traditional Compensation Models for Home Health

- Hourly
- Salaried
- Pay per 'visit'

Understand first the distinction between exempt and non- exempt status

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FLSA Exempt versus Non-Exempt

- Fair Labor Standards Act (FLSA) mandate
  - Minimum wage
  - Overtime pay at 1.5 x normal pay rate for hours worked over 40 per week
- Exemptions for 'professionals', defined by
  - Level of education (e.g., RN versus LPN)
  - Salary basis pay, or
  - Fee basis pay – agreed sum for a single job that is unique and regardless of time for completion

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FLSA: "Fee Basis" Payment

"…these payments in a sense resemble piece work payments with the important distinction that generally speaking, a fee payment is made for the kind of job which is unique rather than for a series of jobs which are repeated an indefinite number of times, and for which payment on an identical basis is made over and over again. Payments based on the number of hours or days worked and not on the accomplishment of a given single task are not considered payments on a fee basis…"

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Hourly Compensation

- Design elements
  - Hourly rate typically negotiated upon hire
  - Allows for experience, knowledge, tenure
  - Hours are paid by report of the employee
- Inherent incentives
  - Lacks a natural compelling urge to be efficient with time and costs
  - All time is paid that is reported

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Hourly Compensation

- Unintended consequences
  - Reinforces non-productive and poor performers that take longer time for visits, documentation time, or 'office time'
  - More efficient staff are paid less
  - No incentive to take new patients
  - Requires office time to police hours reported
  - Requires management to police productivity

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Salary Compensation

- Design elements
  - Amount negotiated upon hire
  - Allows for experience, knowledge, tenure
  - Amount paid regardless of time worked
  - Exempt or non-exempt status
- Inherent incentives
  - "The work expands for the time allowed" and there is no 'end point' to the time

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Salary Compensation

- Unintended consequences
  - No inherent incentives for performance built in to the model
  - No incentive to take new patients
  - ‘Bonus’ plans to apply incentives, often paying extra for basic job requirements
  - Often non-exempt
  - Productivity: monitored and *managed*

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Per Visit Compensation

- Design
  - Greatly varied in application
  - Flat rates or individual/category differentials
  - Pays only for ‘productive’ or ‘countable’ time
- Inherent Incentives
  - Make visits!
  - Less care? - Study found no negative impact on care delivery with this model

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Per Visit Compensation

- Unintended consequences
  - Reduces episode profitability without controls for cost efficient plans of care
  - 'Visit' focus in care management rather than 'patient' focus
  - Poor design or implementation allows risk with FLSA/Wage and Hour

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Agency Incentives

- Quality Incentives
  - Good clinical outcomes
  - Good HHCAHP scores (consumer assessment)
- Compliance Incentives
  - No denials
  - No ADRs or letters from Medicare contractors
- Financial Incentives….

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Agency Financial Incentives

EPISODE PAYMENT − VISIT COST = EPISODE MARGIN

AGENCY COSTS ÷ TOTAL # OF VISITS = VISIT COST

SO HOW…

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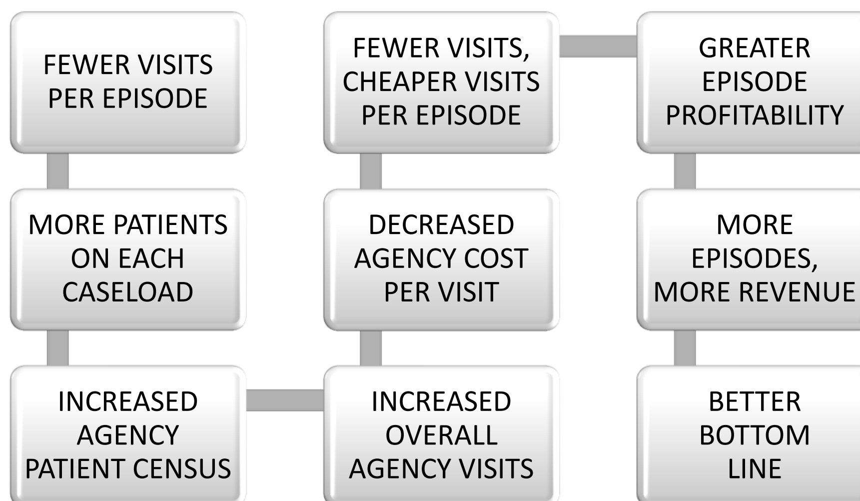
Achieving Financial Incentives



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Align Staff and Agency Incentives

- Hourly and salaried compensation
  - Requires a *caseload* productivity standard to incentivize adding patients
  - To make room for more patients on caseload, staff incentivized to decrease visits per episode
- Per visit compensation
  - Requires managed *cost efficient* plan of care
  - Managed utilization per episode incentivizes increasing patients for more visits

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Managing Productivity or Product

- Managing productivity with hourly or salary
  - Monitoring caseload averaged over quarter
  - Productivity must be encouraged or incentivized
- Managing product with pay per visit or event
  - Managing plans of care through clinical reasoning
    - ✓ Reasonable goals and appropriate interventions?
    - ✓ Patient/caregiver involved in plan of care?
    - ✓ Tapered frequency to allow patient ownership?
    - ✓ Team collaboration and coordinated care?

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So are you….

POLICING PRODUCTIVITY, OR MANAGING THE PRODUCT?

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Management incentive:

NO COST ADDED TO THE PRODUCT UNLESS IT ADDS VALUE TO OUTCOMES

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Managing Indirect Costs

- Monitoring productivity for hourly and salary
- Managing the product for pay per visit or event

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Managing Indirect Costs

- Monitoring productivity for hourly and salary
  - Automate time keeping as much as possible
  - Clerical staff used for counting and tracking
  - Management monitors trends and outliers
- Productivity *message* is strive for number of patients on the caseload
- Productivity *monitoring* includes counting and watching number of visits per day or week
- Managing product still needed

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Productivity Monitoring Sample

Visit Description	Points
Caseload averaged over a quarter	24-26
Regular visit	1
Admission visit	2
Evaluation visit (ROC, Recerts, D/C, Non-OASIS)	1.5
High tech admission	2.5
High tech visits	1.5
Non-billable visits (includes Aide Sup only visit)	.5
Productivity expected standard per week	25-30

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Managing Indirect Costs

- Managing the product for pay per visit or event
  - Visit counts already confirmed/collected for billing
  - Other 'events' coded, counted and calculated
  - Managing utilization per episode part of clinical oversight of plans of care
- Message is good care management with good clinical and financial outcomes
- Productivity is a non-issue

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Pay Per Event Design

- Base from hourly rates
  - Convert salary by 2080 hours
  - Use current rate for hourly employees
  - Use state/regional industry standards for agencies currently using flat visit rates
- Apply conversion factor
  - Based on discipline, or type of position, etc.
  - Allows for job responsibility differences
  - Keeps event ‘point’ system consistent

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Reduce Risks with Solid Design

- Rely on industry standards for a sound and *transparent* basis of definitions and measures
- Pay consistently on a “fee basis”, do not mix with pay based on amount of time spent
- Define *all* types of ***events*** for which clinicians should be compensated
- Ascribe a fair amount to each ***event***
- Communicate plan *clearly* and *in advance*

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Definitions

- Compensated Event
  - Travel time *to* a patient or business destination not including the first in that day
  - Job performance required during the event
  - Coordination, communication, or collaboration related to the event
  - Completed documentation required for the event
- Job descriptions clearly defined and on file (embedding regulatory definitions of "skill")

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Event List and Descriptions

- Patient Visit (avoid terms like routine or regular implying it is not 'unique')
- Admission, Recert, High Tech, etc.
- Non patient visit events – meetings, etc.
- Account for everything needing compensated
- Pare down to lowest common denominator of even weights categories
- New employees paid hourly for pre-set orientation period (*not* 'like kind' activity)

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Event Weights

- Weights are consistent among all employees, the conversion factor allows for differences in job descriptions or requirements
- Weight each event relative to each other and from a base of '1' (patient visit)
- Group like events to reduce the number of weight categories
- Build in incentives for those events you want compelled

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Pay Per Event Sample

Event Description	Weight
Conversion Factor	1.5
Patient visit	1
Admission visit	2
Evaluation visit (ROC, Recerts, D/C, Non-OASIS)	1.5
High tech admission	2.5
High tech visits	1.5
Non-billable visits (includes Aide Sup only visit)	.5
Travel beyond 'X' miles one way	add .25
On call	lump sum
Case Conference, mandatory meetings	1
Inservices and other meetings	.75

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Event Pay Formula (example)

Base rate pay structure (e.g., $30.00)

Conversion Factor (e.g., 1.5)

Event Weight (e.g., 1)

$45.00 for a Patient Visit

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Paper Trail for FLSA

- Calculation allows for 'backing in' to number of 'hours worked' for non-exempt employees
- Allows tracking for benefit calculation
- Reduces risk from Wage and Hour

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No UNintended Consequences

- Be prepared for inherent incentives
- Clinicians are in control of plans of care, hence, the number of visits per patient
- Utilization per patient must be managed to influence cost per episode regardless of compensation model
- Visit focused model canNOT be implemented without managing the episode

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TRANSITIONING TO NEW COMPENSATION: CHALLENGES AND SUCCESSES

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Our Dilemma

- Challenges with admission growth
- Less than favorable staff productivity
- Recruitment and retention issues
- Use of expensive contract employees
- Reimbursement environment changes
- Challenges with current practice model

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Per Event Compensation Considerations

Agency Goals

- Recruitment and retention
- Optimize productivity
- Optimize case management capacity
- Utilize primary case management model

Staff Goals

- Take home pay and benefits
- Sense of accomplishment
- Sense of appreciation
- Fairness
- Educational opportunities

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PPE Compensation Staff Perspective

Pros

- Well defined earnings potential
- Earnings are proportionately related to effort
- Continuity and coordination of patient care
- Improved morale

Cons

- CHANGE- moving from current compensation model
- Staff that are less productive fear loss of earnings
- Enforces timeliness

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PPE Compensation Agency Perspective

Pros

- Incentive for increased productivity and cases managed
- Timeliness of documentation
- Earnings potential affects recruitment and potential
- Promotes continuity, coordination and communication

Cons

- Resistance to change
- Attrition of less productive staff

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PPE Compensation Model

- Success is dependent on positive quality outcomes and the efficient use of all resources
- PPV focuses on episodes
  - Places ownership on the employee
  - Manages the episode of care
  - Rather than managing the employees time

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The Basics

- PPV/Fee Basis Compensation applied to:
  - Staff hired as visiting Therapists and RN's
  - Status
    - ✓ Full time
    - ✓ Part time
    - ✓ Labor pool
    - ✓ Successful completion of Home Health Orientation

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Definition of the Visit Event

- The visits were given the following definition:
  - Direct patient care time
  - Travel time related to patient care
  - Consultation/Coordination time with:
    - ✓ Physician
    - ✓ Caregiver
    - ✓ Family
    - ✓ Other staff
    - ✓ Community resources
  - Documentation time necessary related to regulatory and accreditation bodies and home health policies

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Steps We Took

Visit Equivalent Calculation					
SN, SNNC Minutes		Minutes	Hours	VE	VE Productivity Per 8 hr. day
40	Visit length	92.5	1.54	1	5.2
25	Documentation				
20	Care Coordination				
27.5	Travel time				

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Human Resources

- HR Manager walked hand in hand with operations
- Research into labor laws and compensation models
- Collaboration with Health System Attorney and outside Attorney Firm specializing with Compensation
- Contacted other agencies that had changed to PPE Model

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Productivity/ Pay Analysis

- In preparing for the transition, the productivity and pay analysis for each staff member was developed
- A comparison was produced to demonstrate the conversion from salary to PPE model
- Staff saw where their compensation would be prior to the change

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Compensation Model

- Visit rates categorized in tiers
- Level of pay determined by criteria/status
  - Years of service in the Discipline
  - Years with Riverside
- Mandatory Case Conferences, staff meetings, inservices, continuing education and staff development activities are paid on a fee basis at a unit rate

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What if…….

- The Agency doesn't have enough volume:
  - Perform administrative assignments and other duties approved by management
  - Option to post PTO or administrative leave
- The occurrence is rare

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RN Pay Per Visit Grid

RHCD Years of Service	Year 1-3	Year 4-6	Year 7-9	Year 10+	Labor Pool**
SN, SNDC Weekday	$33.00	$35.00	$37.50	$40.00	$30.00
SN,SNDC WE/Holiday	$50.00	$52.50	$56.25	$60.00	$45.00

**When interviewed staff did not want to see Labor Pool incentivized but rather staff rewarded for doing a good job.

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Payroll Changes

SN, SNDC Weekday		
Inservice, Case Conference		
SNDCO, SNIVDCO Weekday		
SN, SNDC W/E, Hol		
SNDCO, SNIVDCO W/E, Holiday		
SNIV Weekday		
SNIV W/E, Hol		
SNA Weekday		
SNA W/E, Hol		
Supervisory		
Tele-visit		

A special spreadsheet had to be created for payroll processing

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Per Visit Rate Adjustments

- Agency established that adjustments would be considered in the event of across the board or market adjustments
- Annual performance would result in performance pay bonus
- Service year determines the clinician's tier
- Full time and part time staff were eligible for health system Winshare program

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Additional Compensation Considerations

- Comprehensive Visits
- Excess Mileage
- Telephone Visits
- Preceptor Pay- School of Health Careers
- On Call Rate

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Success for the Agency

- Admission growth, no turning down referrals
- Stabilization of Staffing
- Promoted effective use of technology
  - Wireless
  - Laptops
  - EVA
  - Telemonitoring
  - Physician portal and EMR flags
  - EMR access enhanced

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Successes

- Less time in office, more time providing care
- Case Management Model
- Management challenged to look at more efficient processes to make staff productive
- Moved from negative to positive bottom line
- Happier staff

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Challenges

- Payroll System
- Loss of unproductive clinicians

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Pick the Model that Fits Best

- Own agency may stand alone or fit within larger health system
- Either scenario can render restraints to an agency compensation system
- Any compensation system has inherent incentives and unintended consequences
- Design a system for maximum accountability with minimum cost to bottom line

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