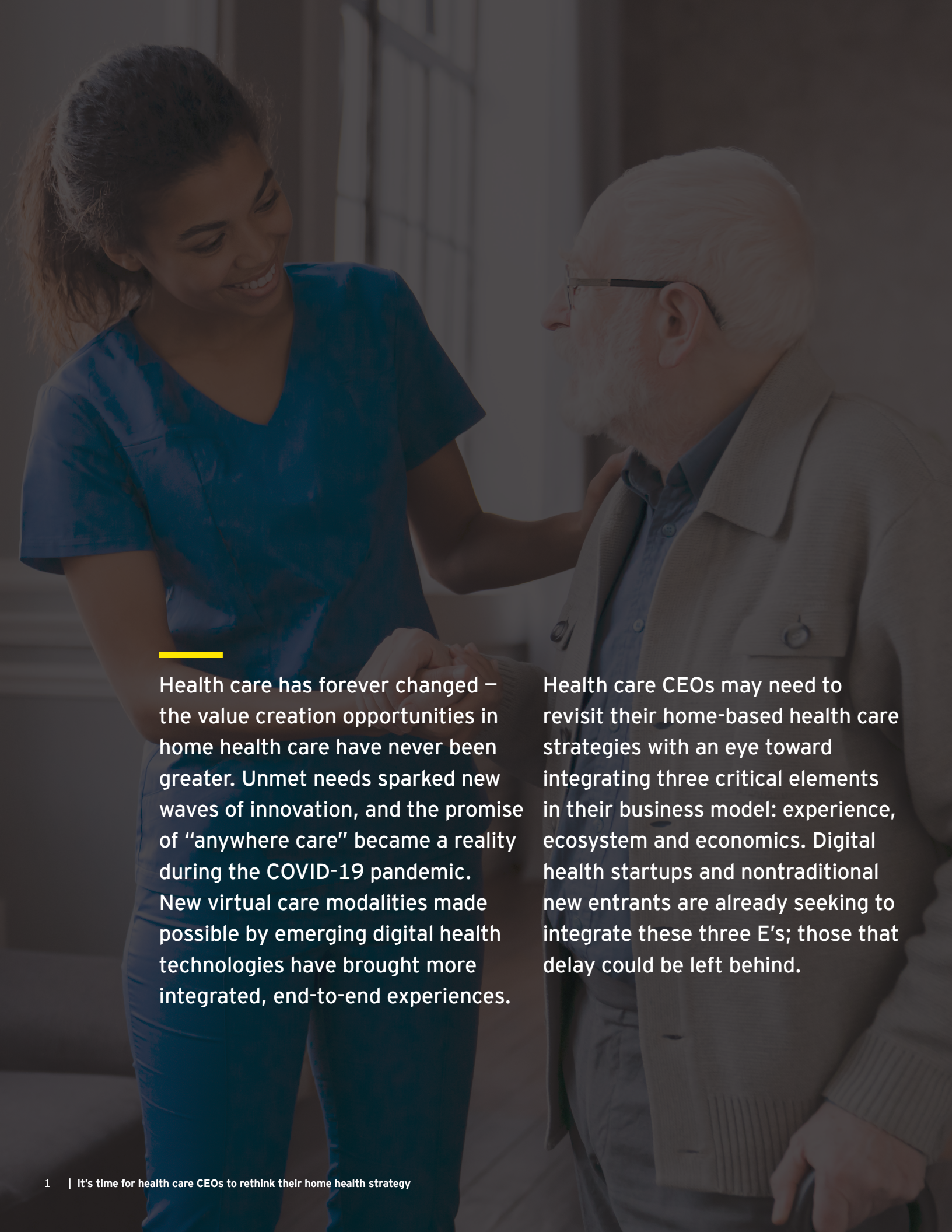


It's time for health care  
CEOs to rethink their  
home health strategy





Health care has forever changed – the value creation opportunities in home health care have never been greater. Unmet needs sparked new waves of innovation, and the promise of “anywhere care” became a reality during the COVID-19 pandemic. New virtual care modalities made possible by emerging digital health technologies have brought more integrated, end-to-end experiences.

Health care CEOs may need to revisit their home-based health care strategies with an eye toward integrating three critical elements in their business model: experience, ecosystem and economics. Digital health startups and nontraditional new entrants are already seeking to integrate these three E’s; those that delay could be left behind.

# Home health: there's no going back

Unrelenting consumer demand accelerated the adoption of telehealth and telemedicine solutions in the wake of COVID-19. In fact, an estimated 1 billion virtual care visits occurred in 2020.<sup>1</sup> Although some reversion to more traditional care modalities is expected, long-term consumer and physician trends suggest this shift in care will continue. According to EY US NextWave Health Survey 2019, 60% of US consumers were open to having non-urgent care in a nontraditional setting, and more than half (54%) were willing to be treated for common acute symptoms online instead of seeing a physician in person.<sup>2</sup> But a more recent survey with health plan executives found that 97% believe care at home is better for their members and their organizations.<sup>3</sup> Further, a randomized controlled trial published by researchers at Brigham Health found 38% lower costs for hospital-level care in a patient's home with no appreciable change in quality or safety.<sup>4</sup> The conclusion appears clear: home-based virtual care provides better care at a lower cost.

The pandemic also necessitated changes in government and private payer reimbursement policies that catalyzed the seismic shift underway in home-based health care. In March 2020, the U.S. Centers for Medicare & Medicaid Services (CMS) broadened access and reimbursement for telehealth services. Private payers quickly followed.<sup>5</sup> As the pandemic expanded, reimbursement policy continued to evolve. CMS issued its hospital-at-home waiver in November 2020 as an expansion of CMS's "Hospital

Without Walls" program, giving hospitals the flexibility to care for patients in the home setting.<sup>6</sup> Subsequently, the Medicare Payment Advisory Commission (MedPAC), an independent congressional agency that advises the US Congress on Medicare payment policies, recommended inclusion of medical devices to enable "hospital-at-home" care as a reimbursable home health benefit.<sup>7</sup> More recently, in January 2021, CMS amended its Physician Fee Schedule guidance to clarify and increase flexibility of reimbursement for remote patient monitoring programs.<sup>8</sup> And in March 2021, the \$1.9 trillion American Rescue Plan Act authorized \$12.7 billion in US government funding for home- and community-based services payments.<sup>9</sup>

Although the future of reimbursement policy is up for debate and health equity concerns due to social determinants of health (SDoH) must be addressed, these dramatic changes have opened the floodgates for digital health and accelerated the transition of care to the home.

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<sup>1</sup> "US Virtual Care Visits To Soar To More Than 1 Billion," *Forrester website*, April 20, 2021.

<sup>2</sup> Rachel Hall, "Is your health strategy keeping pace with consumer expectations or shaping them?" *EY website*, June 3, 2019.

<sup>3</sup> David M. Levine, Kei Ouchi, et al, "Report Finds Most Consumers and Nearly All Payors Want More Healthcare to Move to the Home," *Carecentrix website*, accessed on June 16, 2021.

<sup>4</sup> "Hospital-Level Care at Home for Acutely Ill Adults," *Annals of Internal Medicine*, January 21, 2020.

<sup>5</sup> "Medicare Telemedicine Health Care Provider Fact Sheet," *CMS website*, May 17, 2020.

<sup>6</sup> "CMS Announces Comprehensive Strategy to Enhance Hospital Capacity Amid COVID-19 Surge," *CMS website*, November 25, 2020.

<sup>7</sup> "Report to the Congress: Medicare Payment Policy," *MedPAC website*, March 15, 2021.

<sup>8</sup> Eric Wicklund, "CMS Clarifies 2021 PFS Reimbursements for Remote Patient Monitoring," *mHealth Intelligence website*, March 15, 2021.

<sup>9</sup> "American Rescue Plan Act of 2021," *US Congress website*, accessed on May 20, 2021.

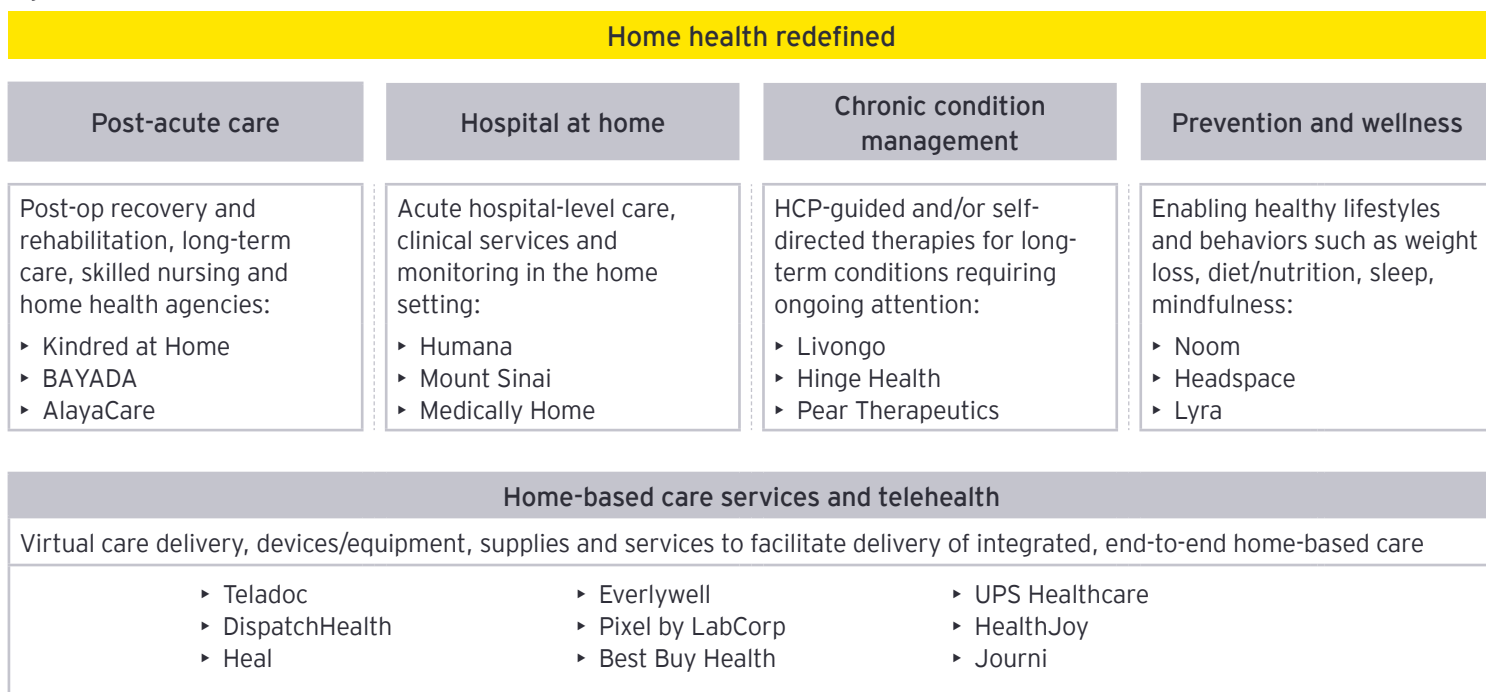
# Realizing the vision of 'anywhere care'

Digital transformation of health care, which EY-Parthenon and the American Hospital Association (AHA) described as “anywhere care” in a 2019 article, has become a reality. In that paper, the authors described the rise of self-directed, participatory health enabled by emerging technologies and telehealth that would accelerate the shift of increasingly complex care in the home.<sup>10</sup> COVID-19 has made this vision for anywhere care a reality by driving market growth, consumer behavior change, adoption of technology innovations and reimbursement policy changes. Digital innovations and home care services are

rapidly emerging and expanding across the health care value chain. As a result, leaders across the health care ecosystem must rethink their strategies and expand their definition of “home health” beyond the traditional post-acute care modality to include virtual care opportunities enabled by digital health technologies.

Whereas virtual care describes the continuum of ways that health care professionals (HCPs) remotely interact with their patients, home health is focused on enabling transitions of care to the home setting (see figure 1).

Figure 1



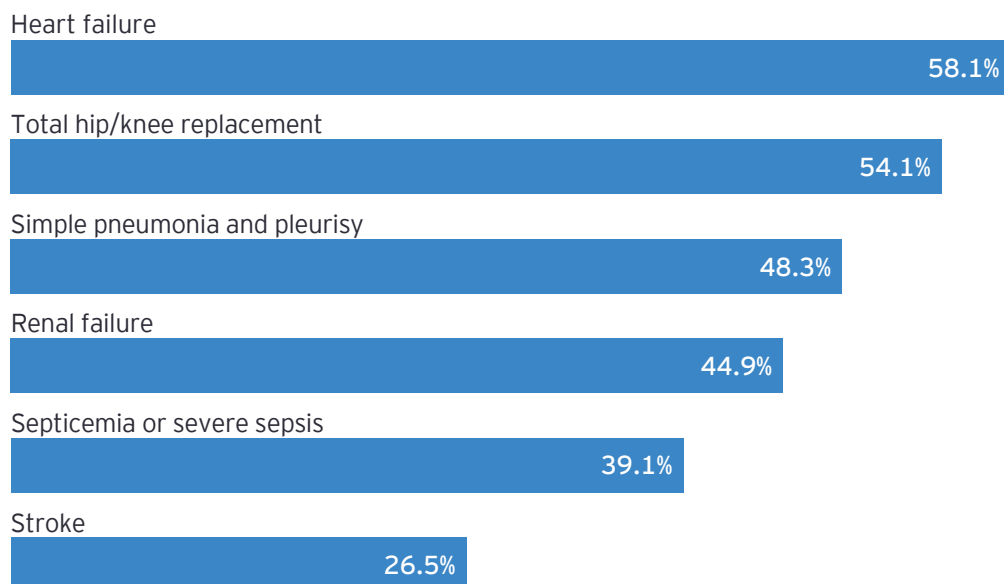
<sup>10</sup> Michael Botos, Lindsey Dunn Burgstahler, et al, “Digital Transformation Anywhere Care,” *American Hospital Association website*, accessed on July 16, 2021.

# Post-acute care

Until now, home health has been narrowly defined as a cost-effective alternative for post-acute care. Prior to COVID-19, Medicare data showed that 46.3% of the top 10 procedures discharged to post-acute care settings were transitioned to home health agencies (HHAs),<sup>11</sup> as shown in figure 2. Over the last year, that mindset has shifted abruptly. A recent survey found 81% of physicians responsible for discharge planning now refer patients to HHAs for home-based recovery and care.<sup>12</sup> This rapid and dramatic shift of patient volume into the fragmented HHA market will likely necessitate the adoption of digital technologies to enable care delivery. There are over 12,000 US HHAs in the US<sup>13</sup> and the market leader, Kindred at Home, holds only 6% share.<sup>14</sup> For example, BAYADA is leveraging automated speech recognition technology for patient self-reported health metrics, and AlayaCare launched a mobile app to HHA field staff with real-time access to schedules, route details, billing, risk assessments, time tracking, client data and reporting.<sup>15</sup>

Figure 2

## Conditions and procedures discharged to post-acute care (out of top 10 average of 46.3% of procedures)



Source: Report to the Congress: Medicare Payment Policy (2021)

<sup>11</sup> "Report to the Congress: Medicare Payment Policy," *MedPAC website*, March 15, 2021.

<sup>12</sup> Seth Joseph, "Home Health Care is a Bright Light during COVID-19 with an even brighter future," *Forbes website*, August 5, 2020.

<sup>13</sup> Joyce Famakinwa, "House Bill Seeks to Modify Medicare's Face-to-Face Requirement for Home Health Providers," *Home Health Care News website*, June 16, 2020.

<sup>14</sup> Andrew Donlan, "The Top 10 Largest Home Health, Hospice Providers in 2020," *Home Healthcare News website*, February 9, 2021.

<sup>15</sup> Jim Armstrong, "BAYADA and AlayaCare Empower Caregivers with Innovative Technology to Simplify Workflows," *BAYADA website*, February 14, 2017.



## Hospital at home

In response to inpatient capacity issues caused by the COVID-19 pandemic, CMS announced its Acute Hospital Care at Home guidelines that allowed hospitals the regulatory flexibility to treat eligible patients in their homes. Under this program, CMS identified more than 60 different acute conditions (e.g., congestive heart failure, asthma, pneumonia, chronic obstructive pulmonary disease, kidney and urinary tract infections) that could be treated safely in the home setting with telemedicine, remote monitoring and daily in-person visits.<sup>16</sup> Since its launch, the hospital-at-home waiver program has been

popular, with 53 health systems and 116 hospitals in 29 states qualifying as of April 2021.<sup>17</sup> This reimbursement change has driven ecosystem growth and investment in hospital-at-home-related technologies, like Medically Home's digital remote patient monitoring tools and Humana's recent partnership with DispatchHealth. These technologies allow 24x7 access to an on-call, dedicated medical team and coordination of care services, including mobile blood work labs, physical and respiratory therapy, imaging, durable medical equipment and pharmacy and meal deliveries to the home.<sup>18</sup>

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<sup>16</sup> "CMS Announces Comprehensive Strategy to Enhance Hospital Capacity Amid COVID-19 Surge," *CMS website*, November 25, 2020.

<sup>17</sup> "Acute Hospital Care at Home Program," *QualityNet website*, numbers as of May 20, 2021.

<sup>18</sup> Heather Landi, "Humana teams up with startup DispatchHealth to expand in-home care services," *Fierce Healthcare website*, February 1, 2021.

# Chronic condition management

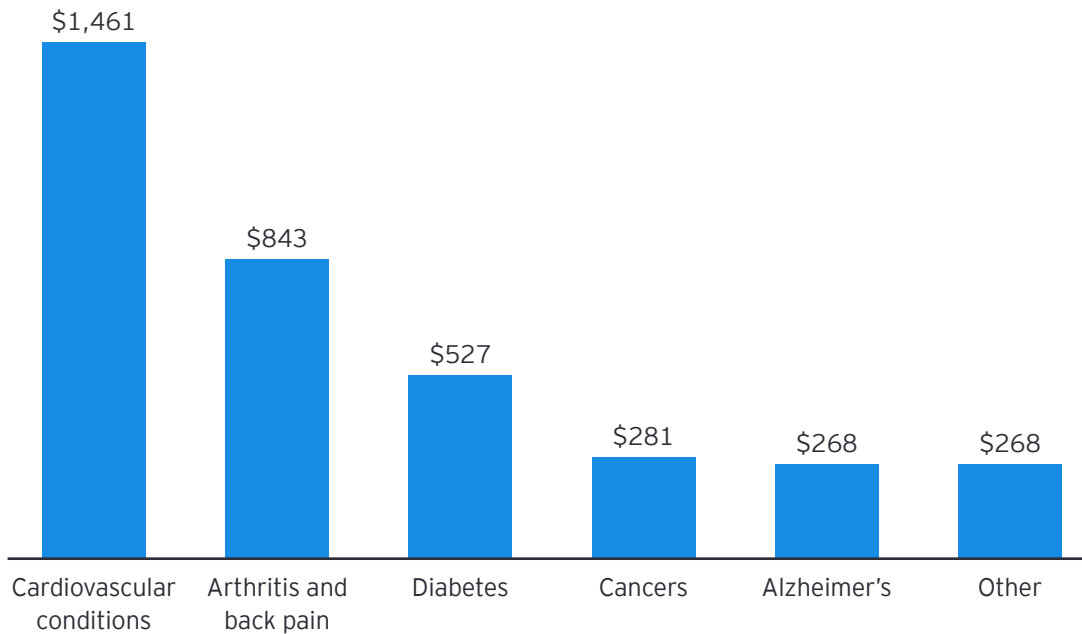
Chronic condition management has a long history of care in the home setting. The markets for at-home diagnostics, monitoring devices and home infusion therapies are well developed. According to the Centers for Disease Control and Prevention (CDC), 85% of adults 65 and older have at least one chronic condition and 56% struggle with two or more.<sup>19</sup> In fact, the Milken Institute estimates the total combined direct cost (i.e., health care spending) and indirect cost (e.g., absenteeism, lost productivity) resulting from chronic conditions in the US in 2016 was over \$3.6 trillion<sup>20</sup> (see figure 3 below). In this

report, the total cost of cardiovascular-related conditions (e.g., hypertension, heart disease) was estimated at \$1.5 trillion, followed by osteoarthritis and chronic back pain at \$843 billion and diabetes (type 2) at \$527 billion. In 2020, higher COVID-19 mortality rates for older patients with high-risk comorbidities drove significant growth of home care solutions. Moreover, it is estimated the adoption of telehealth and digital health apps for actively managing chronic conditions like diabetes, depression and mental health will increase threefold to between 30% and 45% of Americans.<sup>21</sup>

Figure 3

## Total costs of chronic diseases in the US

\$ billions



Source: Milken Institute (2016)

<sup>19</sup> "Percent of US Adults 55 and Over with Chronic Conditions," *CDC website*, accessed on May 20, 2021.

<sup>20</sup> Hugh Waters and Marlon Graf, "The Costs of Chronic Disease in the U.S.," *Milken Institute website*, August 2018.

<sup>21</sup> Aloha McBride, "How COVID-19 has triggered a spring towards smarter health care," *EY website*, April 26, 2021.



## Prevention and wellness

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In the first quarter of 2021, digital health startups garnered \$6.7 billion in funding and are now poised to change the game in home health.<sup>22</sup> Digital health and wellness platforms are an emerging care modality under the home health umbrella. As consumers and their family members continue to take a more active role in managing their health care, these platform-based business models enable self-directed care navigation and

personalization for immediate needs and ongoing prevention and wellness. The virtuous circle of better patient engagement leading to better outcomes at a lower cost is based on an experience-led value proposition, with artificial intelligence (AI) analytics and data-driven insights to inform decisions and encourage behavior change.

## Home-based care services and telehealth

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To enable the delivery of high-quality, cost-effective care in the home, several nontraditional ecosystem stakeholders have entered the home-based health care market. For example, Best Buy Health has spent \$1 billion on acquisitions in the home health care market in pursuit of its strategy to address “the growing needs of the aging population with the help of technology products, services and solutions.”<sup>23</sup> UPS Healthcare

is enabling care in the home and virtual clinical trials, leveraging its extensive distribution and logistics network, cold chain capabilities, and Marken clinical supply logistics acquisition.<sup>24</sup> The common theme across these nontraditional players is the desire to simplify and improve the health care experience in the home to enable better outcomes.

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<sup>22</sup> Megan Zweig and Jasmine DeSilva, “Q1 2021 Funding Report: Digital health is all grown up,” *Rock Health website*, accessed on May 20, 2021.

<sup>23</sup> “Best Buy Acquires GreatCall, A Leading Connected Health Services Provider,” *Best Buy website*, accessed on May 20, 2021.

<sup>24</sup> “UPS Completes Acquisition of Marken,” *Marken website*, December 22, 2016.

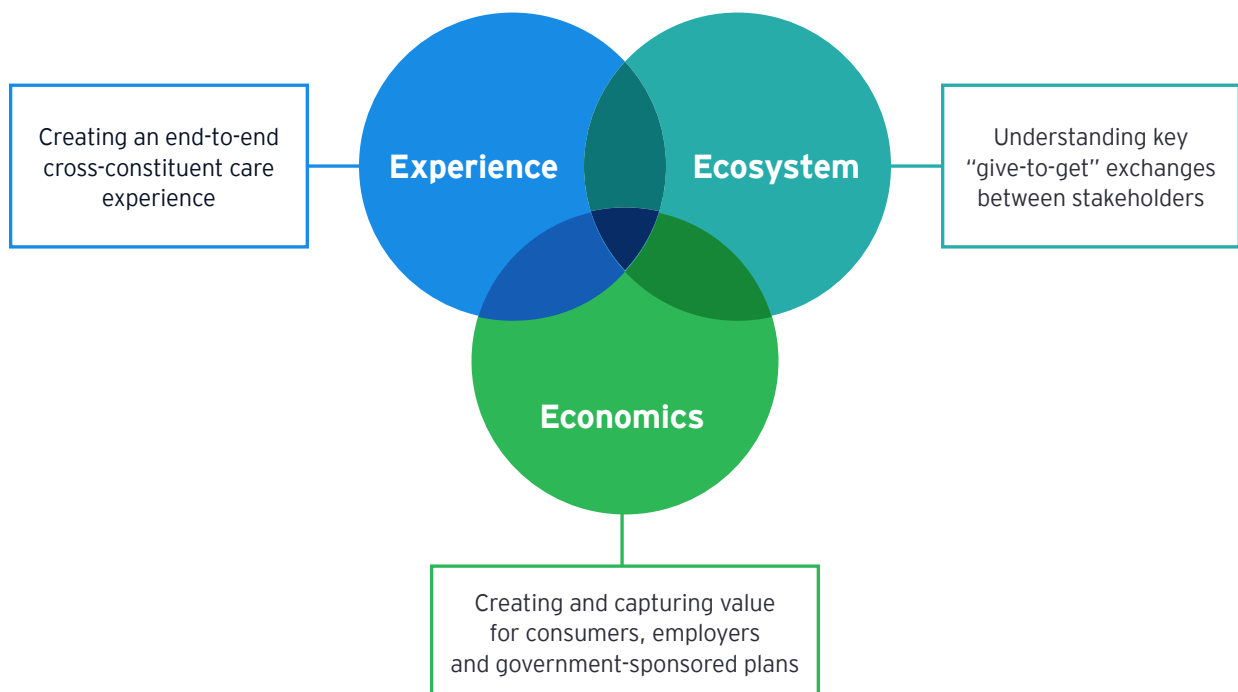


# The game is changing – you need to change with it

Today, the expanding home health market is being shaped by the growing number of digital health startups and nontraditional new entrants that think differently about challenges across the ecosystem. These new entrants are unconstrained by existing business models, products, processes or technologies. They focus on designing more compelling home health experiences personalized to address the condition-specific needs of consumers, caregivers and clinicians. They partner and acquire to build capabilities and fill gaps. And they fundamentally rethink the value proposition to create win-win economic results for all stakeholders. In short, the companies that are disrupting home-based health care are using future-back thinking to design innovative solutions. Instead of a “left-to-right” product-focused mentality, the organizations defining the future of home-based health care work “right to left” to identify unmet stakeholder needs and design products and services to meet them.

For health care leaders, now is the time to rethink your home health strategy by focusing on three critical elements: experience, ecosystem and economics (see figure 4 below). We have found these three E’s to be instrumental in defining a more comprehensive home health strategy. The starting point is an in-depth understanding of unmet needs across the end-to-end home health experience for each condition or therapy in which your organization has capabilities. Who are the most critical ecosystem stakeholders for delivering a compelling consumer experience? What are the economic incentives that drive behavior change and improve outcomes? By asking better questions, health care leaders can identify new business models and more integrated care solutions that create and capture value in the expanding home health market.

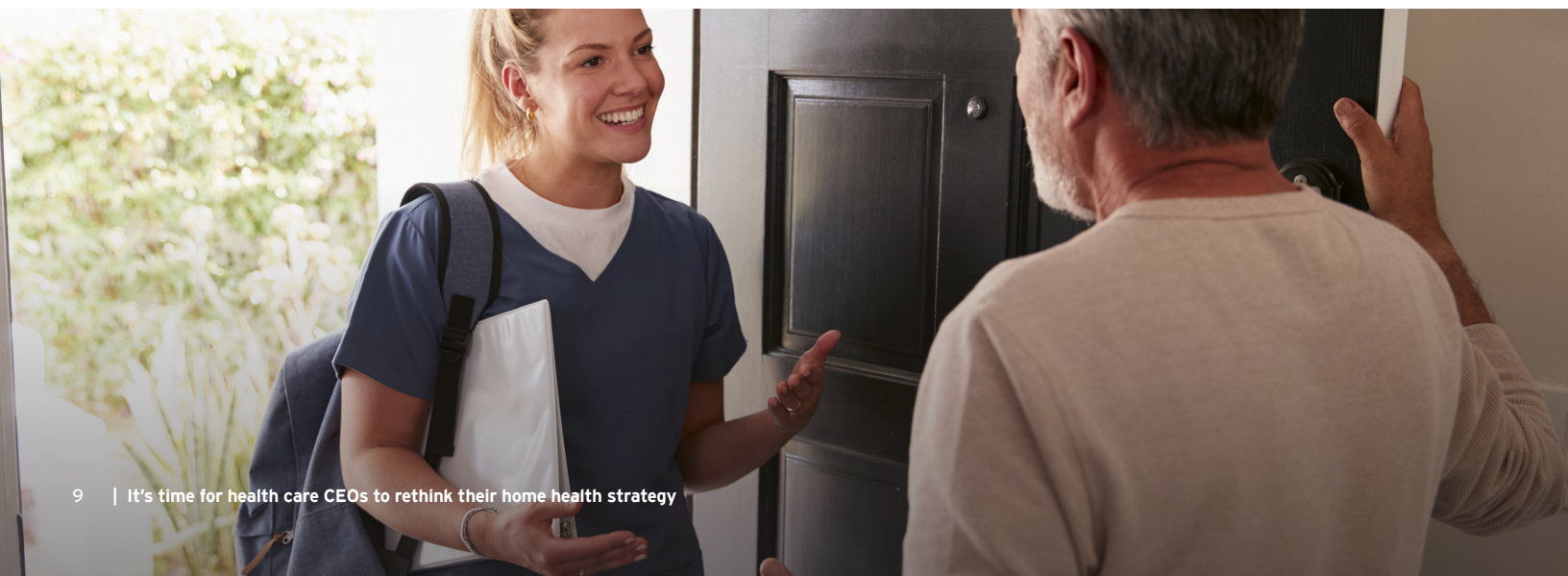
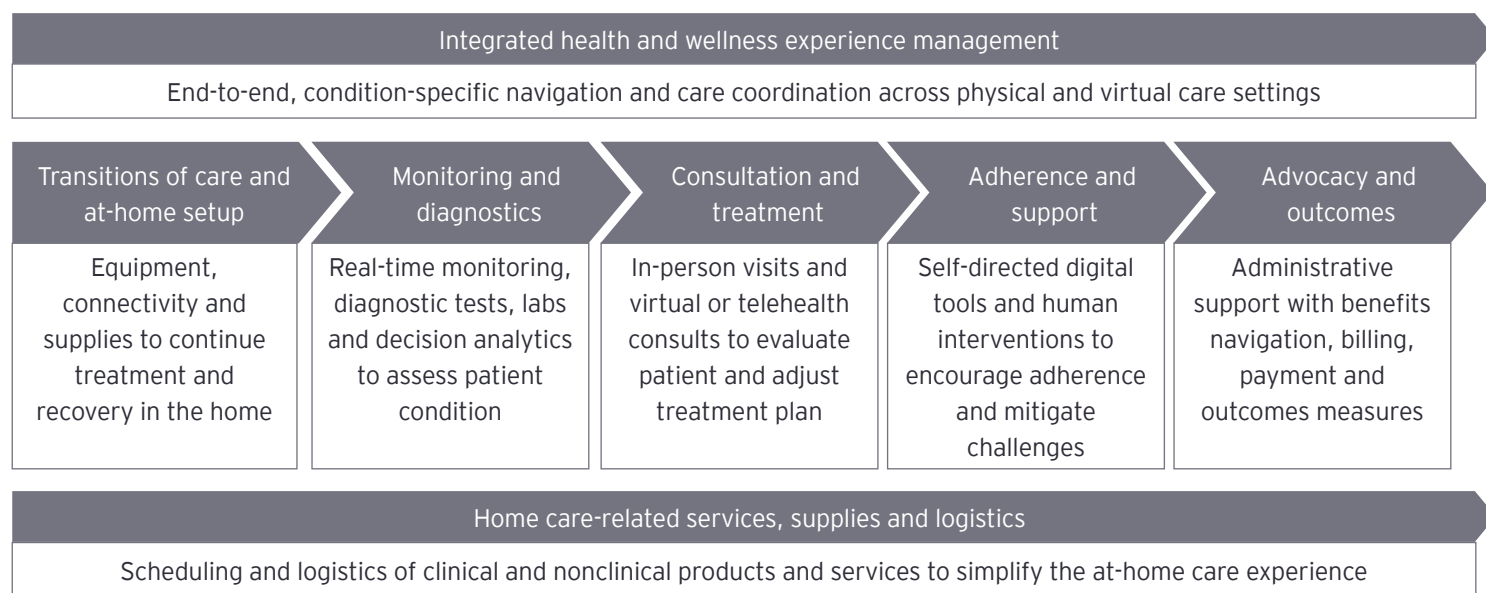
Figure 4  
**Rethinking your home health strategy**



# Experience: designing end-to-end care

Understanding the end-to-end, cross-stakeholder experience for consumers is critical to defining a differentiated home health strategy and business model. The home health patient journey is fragmented by isolated interactions and handoffs across multiple stakeholders. Today, many digital health startups offer narrow, siloed point solutions that only address part of the end-to-end consumer (and caregiver) home health experience. Delivering a compelling home health experience requires designing solutions to manage the myriad of interactions with health systems and hospitals, home health agencies, primary and specialty care doctors, devices and pharmaceuticals, home care-related service providers, and health insurance benefits, billing and payments (see figure 5 below). By overlaying stakeholder interactions with the people, processes and technologies to support that end-to-end experience, organizations can isolate unmet needs and jobs to be done to prioritize investments, partnerships and M&A opportunities.

Figure 5



# Ecosystem: understanding exchanges between stakeholders

To deliver a more compelling home health experience, organizations need to define and orchestrate an ecosystem of partners and can pursue M&A targets to fill capability gaps across the end-to-end experience. EY digital health leaders outline the future of an intelligent health ecosystem to enable a smarter health experience in the [EY Smart Health report](#).<sup>25</sup> In working with clients, EY teams have found that defining a patient-centric, therapy-specific ecosystem is critical to success. A home health solution will not get traction if the business model fails to connect to a broader stakeholder ecosystem.

To define a platform-based business model and ecosystem, start by identifying critical stakeholders and “centers of gravity” that drive decisions and create economic value. Using this ecosystem framework, the central, dark gray items (see figure 6 at right) represent direct “transactors,” while the outer, light gray elements represent “influencers” to delivering value across end-to-end consumer experience. Unpacking the “give-to-get” value exchanges between these ecosystem stakeholders is key to defining win-win value propositions. For each key stakeholder, understanding the economic, informational and emotional value exchanges that motivate behavior will enhance and accelerate your strategy and business model, go-to-market planning and launch, and ultimately the adoption, engagement and customer satisfaction with your solution.

**Figure 6**  
**Home health patient ecosystem stakeholders**



<sup>25</sup> Aloha McBride, Rachel Hall, et al, “How can an intelligent health ecosystem create a smarter health experience?” *EY website*, June 14, 2021.

# Economics: creating value across the ecosystem

To monetize opportunities in home-based health care, industry leaders must “follow the money” to clearly articulate their business model and understand the economic incentives motivating ecosystem stakeholders. Multiple direct and indirect revenue streams exist for home health, from reimbursement for care delivery to remote patient monitoring devices and digital health solutions. For traditional health care organizations, the value proposition for home-based health care cost may be reducing hospital bed days, emergency room visits and readmissions. Other new entrants see value creation opportunities in home care setup, services and supplies. Regardless of ecosystem position, all key stakeholders recognize the value of home health-related data, decisions and behaviors to drive new insights and business model opportunities.

Historically, home health reimbursement models were focused on post-acute care. In this environment, most digital health companies defined their initial go-to-market strategy to target direct-to-consumer sales by promising an improved health care experience and increased access to high-quality health care. More recently, digital health companies have pivoted to target

self-insured employers with volume-based and/or tiered PMPM (per member per month) and at-risk pricing models that attempt to better align the digital health solution value with the payers’ economic incentive to more actively manage rising health care costs and chronic conditions. To date, employers have been slow to adopt at-risk pricing models due to the difficulty in setting a quantifiable baseline and inability to clearly track and measure outcomes.

Going forward, organizations exploring home-based health care should rethink their business model to reflect how their target economic buyers and end users define value. This requires defining a more integrated experience to address unmet needs and building an ecosystem of partners to deliver. In the wake of COVID-19, the future of telehealth and home-based care reimbursement policies is in the spotlight once again. As these payment models continue migrating toward outcomes, successful organizations will clearly align pricing strategies and revenue models with performance measures that matter for key stakeholders to demonstrate outcomes.

## Questions leaders need to ask

Health care CEOs and industry leaders pursuing digital health and emerging home-based care strategies should ask themselves these key questions:

- 1 Do I clearly understand the end-to-end home health **consumer experience**, unmet needs and pain points for the high-priority therapy areas and conditions my solution can address?
- 2 Who are the most critical **ecosystem partners** required to deliver a compelling and personalized experience? What are the “give-to-get” value exchanges between critical ecosystem stakeholders that will drive adoption, engagement and customer satisfaction with my home health solution?
- 3 What are the **economic incentives** that drive the behavior of buyers and end users? How do I align these incentives to accelerate adoption and engagement to improve outcomes?

Successful home health strategies will be defined by organizations that clearly understand the end-to-end consumer experience, partner ecosystem and economic platform-based business models surrounding targeted conditions and therapy areas.

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2107-3823544  
US SCORE no. 13652-211US  
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