



The domino effect of the strangulation of post-acute care

Home care, the subject of an excellent review by Oldenquist, Scott, and Finucane on page 433 in this issue, is an important component of a broad category of care referred to as “post-acute.” Besides home care, post-acute care includes hospital outpatient services, subacute skilled nursing care, long-term care, and outpatient rehabilitation.

In the early 1990s, policy-makers believed that strengthening these settings would enable acute care providers in hospitals to shorten inpatient length of stay by safely discharging patients into programs that could continue low-technology care not requiring hospitalization. One of the major incentives to use post-acute care was the fact that Medicare payment was cost-based rather than the fixed-fee prospective system.

It worked. Hospital length of stay declined sharply and use of post-acute care services escalated. Hospitals emptied out, and low occupancy became a threat to their continued survival; many closed. Ironically, in response to increasing costs for post-acute services, the Balanced Budget Act of 1997 required the Health Care Financing Administration to develop and implement prospective payment for each of the post-acute services beginning in 1999. Prospective payment is a euphemism for paying less than cost. Prospective payment for home care services went into effect in the fall of 2000, and utilization of these services plummeted as home care providers left the business in droves.

The domino effect of this reversal of policy is that hospitals can no longer easily discharge patients early, their lengths of stay and occupancy are increasing, unscheduled admissions are increasingly difficult, and ambulances are more frequently “diverted” because there is no room at the inn. Exacerbating this problem is the current nursing shortage.

The lesson in all this is that highly regulatory approaches to health care or other businesses often produce unintended and unpredicted results. Further tinkering to fix these iatrogenic maladaptive results yields its own new set of problem. The Soviets finally gave up after 70 years of failures. Perhaps we can learn a little faster.

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