The Great Cultural Divide

BY DEXTER W. BRAFF

Much has been written about the power of corporate culture — the intangible, unseen undercurrent that guides organizational thinking about products, services, marketing, operations, investments, public relations, and the like. Just as individual businesses have their own unique corporate cultures, so do industries themselves. This is particularly true for the broad home health care and hospice industries, which have a persona far different than their sector colleagues — most notably home medical equipment. An examination of these diverse cultures reveal why unique sectors approach the market so differently, the implications of these differences, and what separate industries can learn from one another in order to prosper in an increasingly challenging market.

In the Beginning

The origins of home health care and hospice predestined these sectors to evolve along a different path than that of home medical equipment. A product of "The Great Society" that spawned many humanitarian initiatives, the Medicare home health benefit was conceived from a desire to provide compassionate health care to our nation's elderly. It was cost-based and reimbursable care. As such, home health was not a business in the classic sense in that its primary goal was to generate revenue. Rather, it was truly and fundamentally a vocational "calling." Hospice evolved along a similar path — perhaps even more so with its substantial emphasis on volunteerism.

On the other hand, home medical equipment grew up along the periphery of home health and hospice. Although the sector offers substantial "hands-on" clinical services, it evolved primarily as a "product provider." It even fell into an entirely different benefit category — Medicare Part B — and was reimbursed in a manner that allowed for profit margins.

As a cultural evolution, therein lies the proverbial fork in the road. The underpinnings of home health and hospice have always been clinical excellence for the sake of clinical excellence, and thus to each patient's benefit. For home medical equipment, clinical excellence became a means to generate revenue.

A Cultural Divide

Where home health and hospice appealed primarily to caregivers, home medical equipment (HME) drew classic entrepreneurs. Where home health's cost-based reimbursement appealed to cautious investors, HME's prospective payment system drew risk-takers. Where home health and hospice perceived marketing as a distraction, HME embraced it as a means to drive revenue.

The implications of these differences are extraordinary. With an entrepreneurial, risk-embracing, business-first orientation, the home medical equipment sector has been predisposed to adapt to, and capitalize upon, a litany of reimbursement challenges that have dogged the industry since the mid 1980s. Compare this scenario to that of the home health sector, which, lacking such an orientation, saw more than 30 percent of its agencies close their doors during the post-BBA transition in 1997 from cost-based reimbursement to PPS.

The home medical equipment sector has been comparatively more open to spending money on technology in order to improve service and drive down costs. With a culture that evolved from a system in which spending was limited to one that was reimbursable, home health has been slow to make necessary investments in technology in order to persevere and thrive in a market in which reimbursement cuts are a reality and continue to loom.

The home medical equipment industry has long embraced the deployment of professional sales and marketing professionals. Yet even after being freed from constraints that limited marketing to what was permitted by "community liaisons," home health agencies have been reluctant to invest in professional sales forces. Moreover, many such agencies remain uncomfortable with the notion of sales and marketing, feeling that it somehow detracts from the traditional culture of caregiving.

Consider mergers and acquisitions (M&A) — a dominant growth strategy within the home medical equipment commercial sector. Whereas the reimbursement climate for home health and hospice is by far the least risky of all home care sectors (which should portend well for M&A activity), with a culture that remains generally averse to risk, the largest home health and hospice providers have largely stayed on the sidelines of M&A, continuing to undervalue potential opportunities in this area. As such, the sector has left itself vulnerable to private equity groups, which have gained shares through aggressive acquisition efforts.

Adapting Without Abandoning

Clearly, in a post-prospective payment system world in which the economic underpinnings of home health have changed dramatically, its culture must evolve to embrace some of the successful business tactics employed by the home medical equipment sector. But in so doing, the industry must not compromise its clinical center.

Herein lies the lesson for the HME industry. Over the past 40 years, the home health and hospice industries have carefully and deliberately captured the caregiving high ground, focusing much of its outreach efforts on promoting this ideal. This may explain, in part, that while the HME sector has been the victim of repeated cuts in reimbursement and faces extraordinary challenges courtesy of the Medicare Modernization Act, home health and hospice continue to enjoy substantial Congressional and regulatory goodwill, likely contributing to relatively long periods of reimbursement stability.

Home care and hospice are extraordinarily well-positioned to turn their mantra of clinical excellence into economic gain as "pay for performance" initiatives continue to be developed and deployed. With the establishment of a financial link between quality and reimbursement, those companies (and industries) that make caregiving a central element of their culture will not only reap the satisfaction of doing good, but also the knowledge of doing well.

Such is where the cultural fork in the road reunites.

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