

A Review of Patient Risk

Prepared by OCS, Inc.

One of the most challenging parts of health care is the diversity of patients. Every patient brings a multitude of characteristics that ultimately impacts that patient's ability to heal. Severity and risk have broad implications in health care. Not only do they present more of a clinical challenge, but higher risk patients are often more resource-intensive and costly to care for. In addition, they are patients who are more likely to require unplanned services, such as ER visits and hospital admissions, presenting burdens to both the provider and the healthcare system.

It is a critical part of a clinician's job to be able to assess patients and their characteristics, to understand each patient's overall severity and the risks his condition presents and plan appropriate levels of care accordingly. The challenge is that the process of assessing patients' risk is difficult – people are complex. Clinical conditions, the acuity of the ailments, physical and mental impairments, and a patient's history all make each individual inherently more or less likely to achieve certain outcomes. In home health, clinicians are presented with even more of a challenge, because factors including the home environment and caregivers also impact the course of a patient's health.

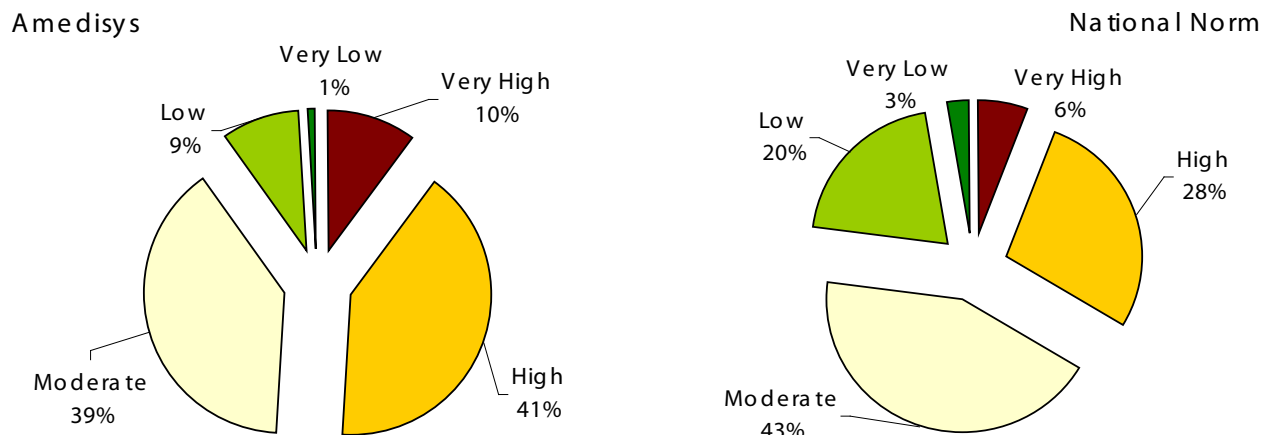
OCS has developed a risk modeling tool that assesses and categorizes individual patients' risk of hospitalization or emergent care at admission, based on more than 100 patient clinical, functional, and environmental characteristics. We have applied the model to millions of cases of home health patient care in our proprietary database, examining trends and the impact of high risk patients.

One of the most enlightening discoveries of our analyses is the difference in distribution of risk at the provider level. Not all providers have a patient risk profile that matches the national norm. Some have a higher distribution of lower risk patients; others have patient populations disproportionately representative of higher risk patients.

Amedisys is a clear example of a home health provider with a higher distribution of patients on the high-end of the risk scale. More than one-half (51%) of all patients admitted by Amedisys home health agencies are predicted to be of high or very high risk of hospitalization, compared to just one-third (34%) of patients nation-wide (see charts 1 and 2). Conversely, only 10% of Amedisys patients are assessed as low or very low risk, compared to 23% of patients nationally.

(continued)

Charts 1 & 2: Distribution of Patients at Admission, Based on Predicted Risk of Hospitalization

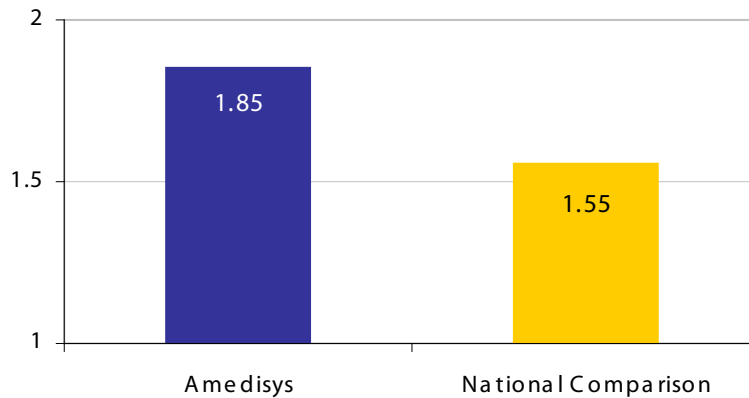


Data source: OCS, Inc., patient admissions during 2008Q2

Another indicator of overall patient severity is length of stay, with higher severity patients requiring more days of service as a general rule. As patient length of stay increases, hospitalization rates also increase and many measures of patient outcomes decrease. The higher severity of Amedisys patients is also demonstrated by a length of stay longer than the national benchmarks (see chart 3). The average Medicare patient requires approximately 1.55 60-day episodes of care; the average Amedisys Medicare patient receives almost 1.9 episodes of care. Similarly, almost half of all Amedisys PPS episodes that started during the first half of 2008 were recertification episodes, where the patient was continuing home health service, rather than a new admission. Nationally, only about one-third of all PPS episodes were patients continuing on service during the same time frame.

(continued)

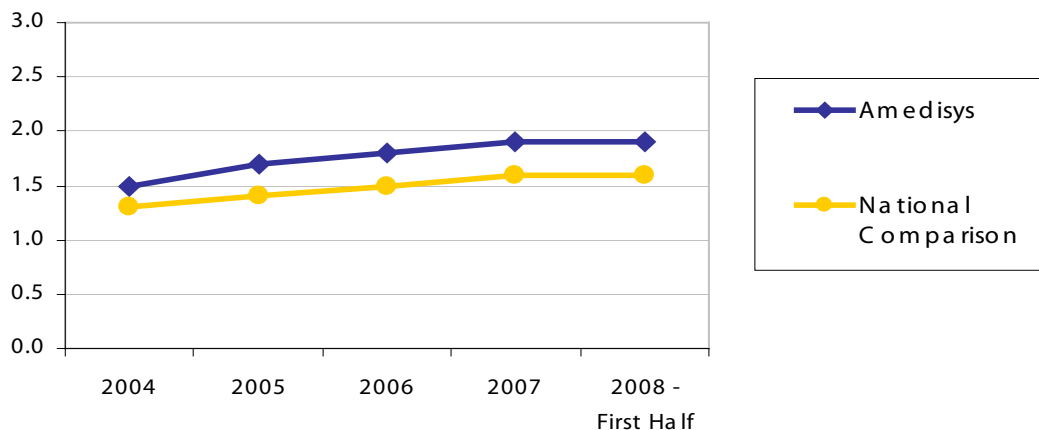
Chart 3: Average Episodes per Medicare Patient



Data Source: OCS, Inc., Medicare patients discharged in the first half of 2008

The logical result of a high risk patient population is overall lower quality outcome scores. Yet despite caring for a patient population that is considerably higher risk and requires a longer length of stay than the national norm, Amedisys has shown consistently higher overall quality of care as measured by the OCS Standardized Outcome Index (SOI), a proprietary measure that offers a single number representative of overall quality. As shown in Chart 4, Amedisys not only has a higher SOI than the national database, but an increasing SOI score over the past several years.

Chart 4: Trended OCS Standardized Outcome Index (SOI)



(continued)

The effects of a high risk patient population could reach into virtually every area of agency management – from outcome measures to clinical management to the use of technology to financial performance. Agencies that have a well-developed understanding of the risk profile of their patient population, and clear plans for managing that risk from all angles, will be best positioned to weather the challenges of higher risk patients, providing high quality care and maintaining a positive bottom-line.

Amedisys clearly excels in this complicated care management environment, as evidenced by their higher quality patient outcomes, despite caring for a patient population with greater risk and a longer length of care than national norms.