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Medicare Home Health Patients Suffer a Disproportionate \$77 Billion in Cuts from 2009 – 2019

Since 2009, when it was a \$17 billion industry, the Medicare home health benefit has been cut by a disproportionate \$77 billion over the next 10 years. The cumulative effect of these cuts has been to limit access to patients, pushing thousands of providers to the point of bankruptcy.

With the 78 million baby boomer generation reaching their 65th birthday at the rate of 10,000 per day for the next 19 years, the need for home health services will only increase. Home health keeps families together and is overwhelmingly what patients prefer. It is far more cost effective for Medicare than institutional options. Below are the details of these massive cuts:

- Congress included **\$39.7 billion** in home health payment cuts under the Patient Protection and Affordable Care Act (PPACA) through 2019. It reduced the home health inflation update one percentage point for 2011, 2012, and 2013, mandated rebasing of home health payment rates beginning in 2014 with a 4-year phase-in, and imposed a productivity adjustment in the inflation update beginning in 2015 that will reduce the inflation update by an estimated 1 percentage point each year. While home health represents less than 4 percent of Medicare spending it took a disproportionate 10 percent in Medicare payment cuts used to pay for the Patient Protection and Affordable Care Act.
- The Centers for Medicare and Medicaid Services (CMS) issued rules that cut home health payment rates by 2.75 percent in 2008, 2.75 percent in 2009, 2.75 percent in 2010, 3.79 percent in 2011, 3.79 in 2012, and 1.32 in 2013 — for total reductions of over 16 percent which was in addition to the PPACA rate cuts. The Congressional Budget Office (CBO) recently increased the projected impact of the cuts to more than \$32 billion.
- As a result of sequestration, Congress's agreement reducing the federal budget deficit in August 2011, home health patients and providers have taken an additional 2 percent cut reducing payments over the next 10 years by \$6 billion dollars.

In summary, the Medicare home care benefit which was \$17 billion in 2009 has been cut by **\$77 billion** over the next ten years. As a result of these cuts about 50 percent of all Medicare participating agencies will be under water in 2012 — that is, paid less than their costs by Medicare. Congress should therefore resist making additional cuts in home care for any reason, including postponement/elimination of cuts in Medicare physician fees or for deficit reduction.