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HOME HEALTH

The Issue:

- **The House health care reform bill would take \$54.7 billion (the Senate \$42.1 billion)** over ten years from the Medicare home health services benefit. In contrast, the **Obama Administration proposed \$34 billion in home health cuts in its 2010 budget.**
- **With the Medicare cuts proposed by Congress, access to care is in serious jeopardy.** Nearly 70% of all home health agencies would be paid less than the cost of care by 2011 under the House proposals (2016 with the Senate proposals).
- **The access concerns are based in real-life historical experience.** The foreseeable impact is comparable to previous congressional changes to home health services payments that led to an unintended significant loss of access to care in the late 90's. The Balanced Budget Act of 1997 triggered the loss of home health care to 1.5 million Medicare beneficiaries through the closure of 40% of home health agencies. It also led to increases in expenditures on skilled nursing facilities and hospitals.

The Facts:

- **The proposed cuts are totally disproportionate to the cuts affecting other providers**—home health is currently about 3.7 percent of the Medicare budget but would suffer 10.2 percent of the cuts in the House bill, 9.4 percent in the Senate. Projected home health spending over the next ten years would be cut by 17.2 percent in the House bill, by 13.6 percent in the Senate bill.
- **Medicare home health spending is less today (\$16.5 billion) than it was in 1997 (\$17.5 billion)** while serving a similar number of beneficiaries (3.4 vs. 3.6 million) at less cost per patient than in 1997 (\$4823 vs. \$4861).
- **MedPAC's estimate on Provider's financial margins is not reliable.** While MedPAC estimates Medicare margins at 12.2% in 2009, this calculation excludes nearly 1700 providers that are part of a hospital and fails to reveal that a small number of high margin providers skew the average. Currently, nearly 35% of providers have negative margins. Further, planned regulatory cuts in 2010 and 2011 will reduce payment rates by over 7%. Current overall margins are less than 2% with significant financial losses on Medicaid and Medicare Advantage services.
- **Home health services are both cost effective and reduce the costs of health services overall.** A study by Avalere Health (May 11, 2009) found that home health use saves Medicare dollars by reducing hospitalizations and nursing home stays. Based on the findings in this study, an estimated \$30 billion could be saved over the next ten years by expanding access to home health for chronic disease patients.

Solution:

- **The home health care services community has put forward a credible and substantive alternative set of proposals for home health payment reform** that would save at least \$34 billion while targeting abuse, phasing in certain cuts to allow home health providers to adapt, and preserve access to care. While the Senate proposal adopts most of this framework, the level of cuts remains unsustainable.