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Ensure Medicare Home Health Payment Rates Are Adequate To Protect Access to Care

While the recently enacted health care reform law makes substantial new investments in home care through Medicaid, the new CLASS Act program, and innovative pilot projects, the \$39 billion in Medicare home health payment reductions slated to take place over the next ten years will be challenging for home health providers and the patients they serve. In particular, the combination of the rebasing of home health payment rates scheduled to be phased in over four years beginning in 2014 and ongoing regulatory payment cuts by CMS could place access to home health care at risk.

If the Center for Medicare and Medicaid Services (CMS) reduces the average home health payment rate to 0—disregarding usual and customary business expenses and the need for payment margins sufficient to protect access to care, meet payroll, provide adequate working capital, and offer a reasonable operating margin—the national percentage of home health agencies paid less than costs by Medicare (see chart below for state and national projections) will grow from 34.3 percent today to 57.6 percent by 2017.

CMS through regulation plans to cut home health payment rates by 2.71 percent in 2011. If CMS continues to make regulatory cuts in addition to those mandated by statute, an even greater percentage of home health agencies will have negative margins and likely go out of business, creating a serious threat to access to care.

Congress should guide development of rebasing standards to ensure that rates are set at a sufficient level to continue access to care. CMS should be barred from further regulatory cuts during the implementation of the new statutory rate reductions.

Percentage of Home Health Agencies with Margins of 0 or less by State Location

Potential Risks from a Combination of a CMS Regulatory Payment Cut of 2.71% in 2011 and CMS Implementation of Rebasing and Other Payment Adjustments in the Patient Protection and Affordable Care Act (P.L. 111-148)

	2010	2017
NATIONAL	34.3%	57.6%
Alabama	31.0%	63.1%
Alaska	84.6%	84.6%
Arizona	36.2%	58.6%
Arkansas	41.1%	67.8%
California	41.0%	70.7%
Colorado	32.1%	50.5%
Connecticut	18.8%	31.9%
Delaware	35.7%	57.1%
District of Columbia	22.7%	40.9%
Florida	23.3%	47.2%
Georgia	40.8%	63.2%
Hawaii	62.5%	87.5%
Idaho	64.1%	84.6%
Illinois	27.1%	55.2%
Indiana	36.4%	59.3%
Iowa	40.1%	67.5%
Kansas	43.2%	61.0%
Kentucky	31.8%	53.4%
Louisiana	23.4%	40.4%
Maine	48.2%	74.1%
Maryland	29.3%	58.5%
Massachusetts	21.0%	42.9%
Michigan	30.8%	55.5%

Minnesota	45.7%	59.5%
Mississippi	23.1%	48.7%
Missouri	47.4%	64.1%
Montana	59.4%	78.1%
Nebraska	56.1%	63.2%
Nevada	45.7%	58.7%
New Hampshire	22.6%	58.1%
New Jersey	40.0%	65.7%
New Mexico	33.3%	63.3%
New York	53.5%	76.7%
North Carolina	24.1%	45.6%
North Dakota	73.7%	84.2%
Ohio	26.8%	40.7%
Oklahoma	40.5%	68.7%
Oregon	79.1%	88.4%
Pennsylvania	24.1%	47.1%
Puerto Rico	59.0%	76.9%
Rhode Island	17.7%	29.4%
South Carolina	40.5%	54.8%
South Dakota	55.9%	73.5%
Tennessee	21.1%	50.9%
Texas	35.8%	62.2%
Utah	28.4%	47.8%
Vermont	25.0%	66.7%
Virginia	39.4%	57.4%
Washington	45.5%	65.9%
West Virginia	43.8%	66.7%
Wisconsin	58.8%	70.6%
Wyoming	63.6%	81.8%