HOMECARE & HOSPICE
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September 23, 2009

The Honorable Charles E. Grassley
United States Senate
135 Hart Senate Office Building
Washington, DC 20510-1501

Re: Medicare Home Health Services

Dear Senator Grassley:

I am writing to thank you for your continued support of home care patients nationwide and to enlist your help to ensure that access to home health services remains a reality for more than 3 million senior and disabled individuals that benefit from these important services.

It is crucial to the survival of the home health services delivery system that you work to reduce the $43 billion in cuts currently contained in the Senate Finance Committee's health reform package. Our analysis indicates that by 2016, the proposed cuts in home health services payment rates will lead to nearly 70% of providers nationwide at risk of closing because their costs will exceed Medicare payments. If that occurs, President Obama's promise that Medicare beneficiaries will not be adversely affected by health care reform efforts will be broken.

Invariably, providers of services facing rate cuts always cry out that care will be lost. However, history tells us that our warning should be heeded. The Balanced Budget Act of 1997 was expected to cut home health services spending by $16.1 billion in five years. Instead, the rate changes cut over $70 billion, leading to the loss of care to nearly 1.5 million Medicare beneficiaries. That change also led to higher outlays under state Medicaid programs, as well as greater use of nursing homes, hospitals, and other institutional settings. Still today, about $17 billion is spent on home health services, as compared with about $19 billion in home health outlays in 1997.

Several factors need to be understood about the current Finance Committee proposal. **First, the proposal is not consistent with MedPAC advice.** The proposal reduces rates to a point where Medicare margins will average zero. MedPAC, in its deliberations, clearly recognized the need for some level of margin in order to stay in

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business. In fact, we understand that MedPAC's executive director, Mark Miller, informed House Ways and Means members that MedPAC did not recommend a zero margin.

Second, **there is a serious misunderstanding of Medicare margins**. MedPAC estimates margins for 2009 will be 12.2%. However, this estimation does not include the impact of nearly 7% in rate reductions planned by way of regulation by 2011. Further, it does not include nearly 1,700 important providers of home health services, hospital-based agencies. Also, it does not reveal that the "average" is made up of a very wide range of individual agency margins with over 30% **below zero** already. Finally, reliance on Medicare margins does not convey that the total margin of agencies is estimated at 2% with Medicaid and Medicare Advantage losses driving the overall margin down.

Third, unlike other health care providers such as hospitals, **the expansion of health insurance will not bring additional business of any material level**. Home health patients average nearly 80 years of age and are already insured by Medicare or Medicaid. This means that the Medicare cuts to home health agencies are not offset by new revenues from newly insured patients. Instead, the proposed cuts of over 13.5% of spending on home health services will be as real as can be.

Fourth, **the home health services community has put forward a credible and substantive alternative set of proposals for reforming the Medicare payment system**. While the Chairman's Mark incorporates many of these proposals, the level of cuts is unsustainable. In fact, **the level of cuts exceeds the $34 billion President Obama's budget recommended by nearly $10 billion.** Still, the industry's proposal itself meets or exceeds the Obama budget target.

Fifth, **the home health services cuts are far disproportionate to other provider sectors**. The Chairman's Mark seeks 9.4% of all the Medicare cuts from home health care while home health makes up only 3% of the Medicare program currently. That disproportionate impact is further magnified by the fact that, unlike most other health care providers and insurers, expanding health insurance will have no meaningful increase in home health care business.

This is a historic time in this country, an opportunity to secure health care for all as a fundamental right. However, these reforms should not be done at the expense of our most vulnerable senior citizens, the homebound and infirm. Your leadership on this matter is greatly appreciated. Please let us know what we can do to help you succeed.

You have my great respect and admiration, now and always.

Sincerely,

Val

Val J. Halamandaris
President

all me best!