

Medicare Rebasing & Home Healthcare

Impact of Current Law Cuts Should Be Considered

Under the Affordable Care Act (ACA), the Centers for Medicare and Medicaid Services (CMS) is authorized to rebase home health payments between 2014 and 2017. Rebasing is a process intended to align Medicare payment with costs. However, new data analyses find that current law Medicare home health cuts will cause the change intended by rebasing. Moreover, the analyses reveal that this current law trajectory will lead to negative margins in a number of states by 2017 – **even if CMS does not reduce home health payments further as a result of the rebasing process.**

Medicare Home Healthcare Has Already Been Hit With Deep Cuts

Since 2009, the nation's home healthcare community has experienced a number of Medicare payment cuts that will reduce reimbursement by more than 20 percent over the next a decade, as seen in the table to the right.

These Cuts Will Result in Narrow and Even Negative Medicare Home Health Margins in Nearly 40% of States¹

Analyses utilizing Medicare costs reports and the MedPAC methodology for calculating Medicare margins reveal that Medicare margins for home health agencies will reach dramatic lows by 2017² due to the impact of cuts already in current law – **even before any rebasing is factored into Medicare home health payments.**

Legislative Cuts:	\$24.9 BILLION
<ul style="list-style-type: none"> • 2.5% Outlier Cut: Calendar Year (CY) 2011 • 1% Market Basket Cuts: CY 2011, 2012 and 2013 • 1% (est) Productivity Cut: beginning CY 2015 • 2% Sequestration Cut (2013-2021) 	
Regulatory Cuts:	\$47.6 BILLION
<ul style="list-style-type: none"> • 10% Outlier Limit: beginning CY 2010 • 1.32-3.79% Case-Mix Cuts: CY 2009, 2010, 2011, 2012, 2013 	
TOTAL Home Health Cuts (2011-2020):	\$72.5 BILLION³
= 22% MEDICARE CUT TO HOME HEALTHCARE ALREADY IN CURRENT LAW	

Medicare Home Health Margins Will Be 0-5% (2017)		Medicare Home Health Payments Will Be Below Costs (2017)	
Arizona:	3.1%	Alaska:	-8.8%
California:	2.1%	Hawaii:	-11.7%
Illinois:	3.0%	Idaho:	-1.7%
Indiana:	0.7%	Montana:	-1.5%
Maine:	2.0%	Nevada:	-1.0%
Michigan:	2.5%	New York:	-6.0%
New Mexico:	2.3%	Oregon:	-8.8%
Texas:	3.0%	South Dakota:	-12.7%
Vermont:	4.6%	Wisconsin:	-2.6%
		Wyoming:	-8.6%

The Medicare home health benefit has experienced substantial cuts since 2009. To protect beneficiary access to care, CMS should carefully examine the impact of these cuts before further reducing Medicare home health reimbursement.

1. This analysis utilizes Medicare cost reports and the Medicare Payment Advisory Commission (MedPAC) methodology for calculating Medicare margins, which exclude many of the operating costs common to home health agencies as well as the costs of services that are commonly delivered to Medicare beneficiaries by home health agencies. If these costs were included in the analysis, the resulting home health Medicare margins would be even lower than those shown here.

2. 2017 is the year when the rebasing process authorized by the Affordable Care Act is to be completed.

3. Avalere Health. Cumulative Savings 2011-2020.