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New Analysis: Proposed Government Regulation Will Put More Than Half of America's Medicare Home Health Agencies in the Red

Proposed Cuts Would Seriously Threaten Patient Access to Cost-Effective, Senior-Preferred Home Health Care

WASHINGTON, DC (Sept. 13, 2011) – In response to changes proposed by the Centers for Medicare and Medicaid Services (CMS) to the home health prospective payment system, the home health community today issued warnings that large adjustments to home health payments will have a significant and alarming impact on the financial viability of America's home health providers. According to a new analysis by the National Association for Home Care & Hospice (NAHC), CMS' proposed policy changes would lead to negative Medicare financial margins for more than half (52.3 percent) of all home health agencies in the U.S. This analysis, based on nearly 7000 financial reports submitted to the Medicare program, was reviewed and validated by the independent health care policy consulting firm, The Moran Company.

The analysis also found that the proposed payment cuts would have a particularly severe impact on rural providers and hospital-based home health agencies. The analysis found that 65.7 percent of rural providers and nearly 81 percent of hospital-based agencies will see negative Medicare margins if the CMS-proposed rate adjustments are finalized.

“Federal regulators have made assumptions regarding our patient population and patient acuity that do not accurately reflect the reality of home health care in America. As a result, their proposed payment adjustment is dangerously speculative and risks denying Medicare beneficiaries the care they need,” said Andrea Devoti, NAHC board chairwoman. “The Moran Company validation of the analysis underscores our concerns that large payment adjustments will financially cripple providers across the country, therefore creating serious access challenges to vulnerable seniors and threatening needed healthcare jobs – particularly in rural and underserved areas.”

CMS has recently proposed a substantial payment reduction that would decrease the base payment rate for home health services by 5.06 percent for 2012. While CMS contends that the adjustment is warranted on the basis that there has been only limited change in patient acuity in past years, NAHC argues that there is strong evidence showing that patients are sicker than ever and in need of the extensive care that has markedly increased care costs.

The Moran Company analysis states, “We believe the NAHC analysis provides policymakers with a realistic understanding of the potential financial impact of the CMS proposal, if ‘nominal’ case mix growth proves illusory. While ‘nominal’ case mix growth may occur, we cautioned that it might never be possible to determine definitely how much case mix growth is or isn't real. Consequently, we believe that policymakers may find the NAHC results useful as they seek to understand the impact of the proposed payment adjustments on home health agencies.”

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Added Devoti, “With CMS putting money ahead of people rather than looking at the operation of the program, the financial stability of home health providers across the country is at serious risk. As a result, we urge the Administration and Congress to take a close look at this analysis and consider how CMS’ proposed payment policies will impact seniors and disabled persons nationwide. Lawmakers are looking for ways to create jobs and establish financial growth – advancing policies that jeopardize the viability of home health care is not the direction that should be taken.”

Home health care has become increasingly important to millions of American seniors who depend upon it for skilled post-acute care. Approximately 3.5 million Medicare beneficiaries annually receive home health care to recuperate from serious injury or illness at home – at a significant cost savings when compared to other care settings.

In interpreting these margin trends, the Moran Company used 2009 CMS data, which was the latest based year with a reasonably complete set of cost reports for completing an analysis.

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About NAHC

The National Association for Home Care & Hospice (NAHC) is a nonprofit organization that represents the nation’s 33,000 home care and hospice organizations. NAHC also advocates for the more than two million nurses, therapists, aides and other caregivers employed by such organizations to provide in-home services each year to some 10 million Americans who are infirm, chronically ill, disabled and dying. Along with its advocacy, NAHC is committed to excellence in every respect and provides information to help its members maintain the highest quality of care. To learn more about NAHC, visit www.nahc.org.