



TO: Rep. Ann Pugh, Chair; Members of the House Human Services Committee
CC: Reps. Steven Berry, Sarah Buxton, Curt McCormack, Tom Stevens, Michael Yantachka and Teo Zagar
FROM: Peter Cobb, Director, VNAV
DATE: February 24, 2016
RE: H. 730

On behalf of the members of VNAs of Vermont, I would like to thank the sponsors of H. 730 and express our strong support for this legislation. VNAV represents the 10 Visiting Nurse Associations and nonprofit hospice providers.

For several years, VNAs of Vermont has asked for equal footing with nursing homes concerning annual rate adjustments. That has not happened. In the meantime, the gap between costs for home care services and Medicaid payments has widened considerably. Losses have increased steadily over the past decade. Several agencies are at a breaking point where they can no longer sustain these losses. VNAV agencies lose approximately \$7.4 million a year providing service to state programs. These losses are often made up by community donations, which is not sustainable.

Rate Setting - Currently, there is no rate setting for home health, nor any guarantee of annual rate adjustments. Over the past decade, Medicaid rate increases to home care agencies have not matched the consumer price index inflation rate, not even close. (See attachments.) If the Medicaid rates paid for home health care services had increased at the same rate as the rates paid to nursing homes, home care losses would be much less and the agencies would not be in the financial trouble they are in now.

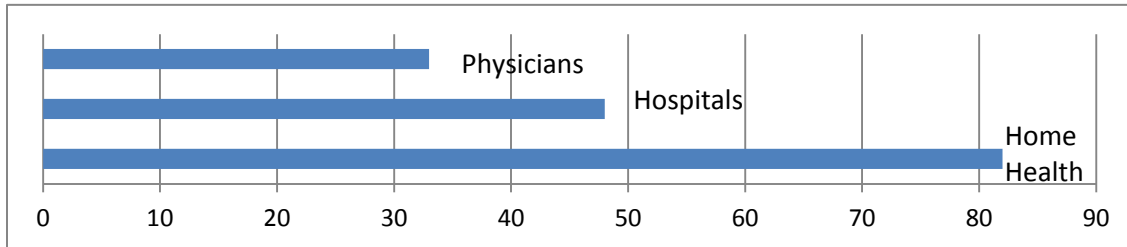
Rate Adjustments - According to the Department of Vermont Health Access, the average payment rate for a nursing home bed in 2006 was \$165/day while in 2015 the average payment was \$219/day, an increase of 32.7%. Over that same period, the rates paid for a home care nursing visit went from \$92.06 a visit to \$108.42, just a 17.8% increase, much less than the nursing home increase and much less than the 27.4% consumer price index increase over that period. Payment increases for case management were even worse as that rate went from \$65 to just \$69.40, a meager 6.8% increase.

What is at stake? - Home care agencies cannot continue to subsidize state payments at the current level. Unless the state funding gap is closed, home health agencies will be forced to make difficult decisions regarding access to services.

Fair Payments - Home-based services need and deserve the same treatment as nursing homes. Most people, when given a choice, would much rather get their needs met in their own homes rather than in an institution.

Cost Shift - Over 80% of home care revenues are from public funds (Medicaid/Medicare). Home care agencies do not have the ability to cost shift to private payers.

Percent from Public Sources



State Investment/Bending the Cost Curve - Home care represents only 3-4% of the total health care spending in Vermont. It is a good investment since home health is critical to bending the curve in the overall health care system. Vermonters who cannot be served at home often receive care in more expensive settings.

Legislative Intent - The results of the study from Act 54 of 2015, which asked for a review of current reimbursement rates to various community providers, recommends the State consider giving home and community-based providers an annual inflation factor similar to nursing homes.

Here is the study language from Act 54:

Sec. 27. PROVIDER RATE SETTING; MEDICAID

(a) The Department of Disabilities, Aging, and Independent Living and the Division of Rate Setting in the Agency of Human Services shall review current reimbursement rates for providers of enhanced residential care, assistive community care, and other long-term home- and community-based care services and shall consider ways to:

(1) ensure that rates are reviewed regularly and are sustainable, reasonable, and adequately reflect economic conditions, new home- and community-based services rules, and health system reforms; and

(2) encourage providers to accept residents without regard to their source of payment.

(b) On or before January 15, 2016, the Department and the Agency shall provide their findings and recommendations to the House Committee on Human Services and the Senate Committees on Health and Welfare and on Finance.

Recommendation #3. Consider an annual Medicaid rate increase for the following home and community-based services.

- Adult Day
- Adult Family Care
- Area Agency on Aging and Home Health Agency Case Management
- Flexible Choices Pre-Admission Consultant
- Home Health Personal Care/Respite/Companion
- Home Health Respite/Companion
- Home Health Homemaker Services
- Self-Directed Services (currently managed through a Collective Bargaining Agreement)

Impact of Low Payments

- Less money for investments in technology, facilities and infrastructure.
- Contributes to competitive disadvantage when hiring staff. (The average pay for a home care nurse is nearly \$10,000/yr less than the pay for a RN hospital staff nurse).

What is needed?

- A thorough review of the rates paid across the total spectrum of home care - from traditional Medicaid to Choices for Care.
- Reasonable payments that cover costs.
- Annual inflationary adjustments to assure the financial viability of the agencies.
- More flexibility to providers in determining how services are provided.

Should you have any questions or if you would like to hear from any of the agency directors, please let me know at 229-0579.

Sincerely,
Peter Cobb, VNAV Director