

TO: House Committee on Appropriations

FROM: Jill Mazza Olson, Executive Director

DATE: February 20, 2019

RE: SFY2020 Budget

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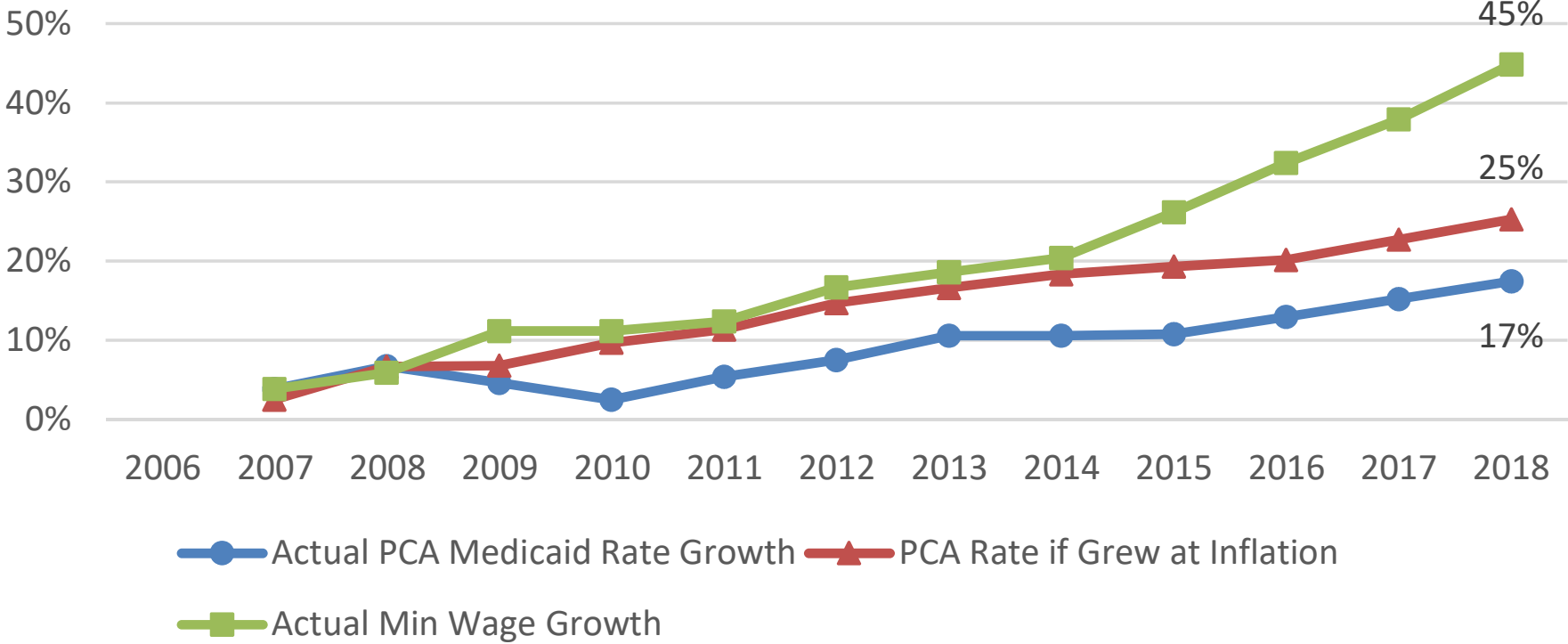
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Thank you for the opportunity to provide comments on the SFY2020 budget currently under consideration in your committee. Our not-for-profit home health agencies provide high-quality, cost-effective services to all Vermonters, regardless of ability to pay. These services prevent many expensive hospitalizations and nursing home stays and keep Vermonters independent in their homes, which is where most people prefer to be.

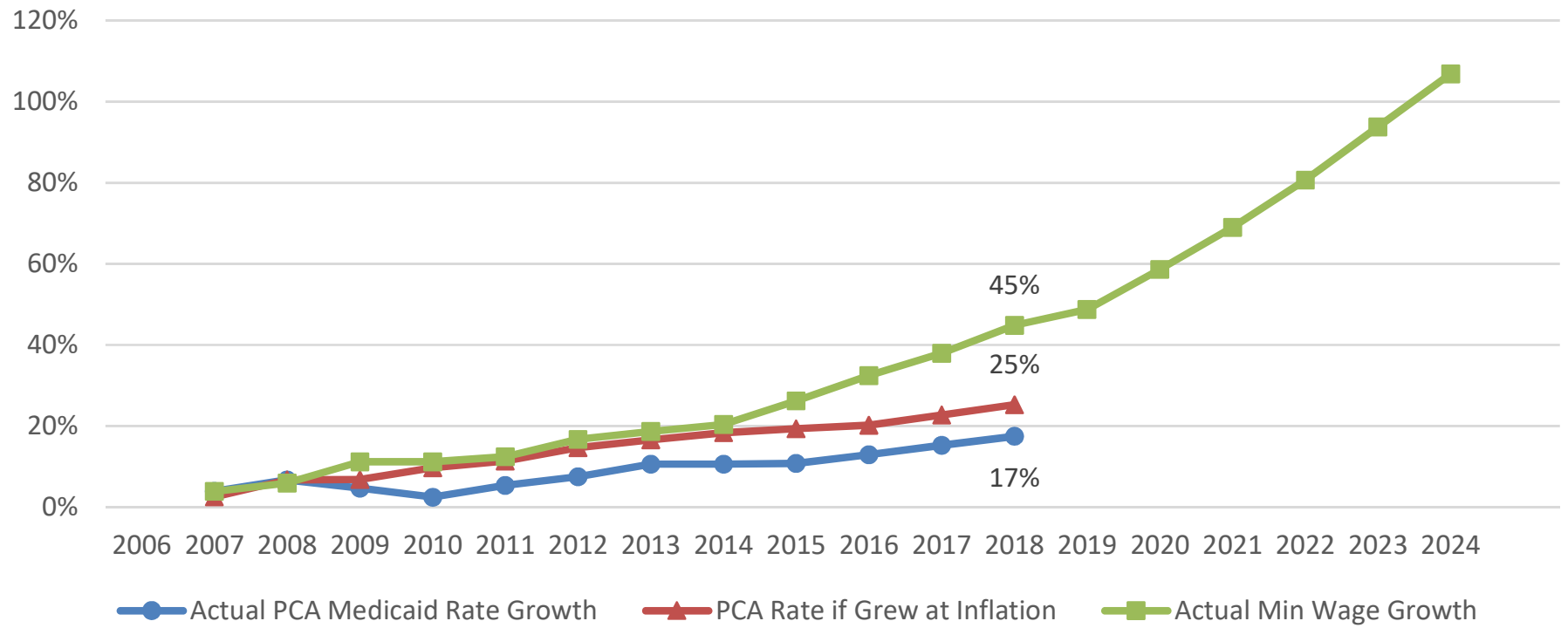
The pressure on home health and hospice agencies remains pronounced:

- **Wage Pressure:** Like all employers, home health agencies are experiencing a workforce shortage. Unlike many employers, home health agencies and other providers are largely dependent on state and federal appropriations for their revenue. Apart from case management, the Choices for Care Long Term Care program is staffed by entry-level wage workers who provide personal care, respite care and homemaker services. The Medicaid payment rates for the program have increased at levels well below the rate of inflation for a decade (see chart) even as home and community-based services have demonstrably decreased nursing home costs. Mandated wage levels have been rising at a much faster pace. **Any further mandated wage increases must be funded in the Medicaid budget.**
- Home health and hospice agencies have experienced more than a **decade of Medicare cuts**. The Medicare surpluses that used to allow our members to subsidize Vermont's Medicaid program have shrunk. Medicare rates for home health were cut by more than 14 percent since from 2009-2018. Medicare implemented a 2% increase 2019, but for many agencies that will soon be offset by reductions to the rural add-on. **Taken together, VNAs of Vermont members had a less than 1% margin based on financials completed as of June 30, 2018, including revenue from fundraising and investments.**
- In the Bipartisan Budget Act of 2018, **Congress voted to phase out the 3% "rural add-on" payment for Medicare home health services. One agency was cut from 3% to 1.5% on January 1, 2019. All other eligible agencies are expected to be cut to 2% on January 1, 2020.** The rural add-on is slated to be reduced to 1% in 2021 and then eliminated entirely. The VNAs of Vermont estimates a loss of more than \$1.2M annually to Vermont home health agencies once the rural add-on is fully phased out.
- Estimate: 3% Medicaid Inflationary Increase (home health agencies only): \$1.1M (46% State; 54% Federal Match).

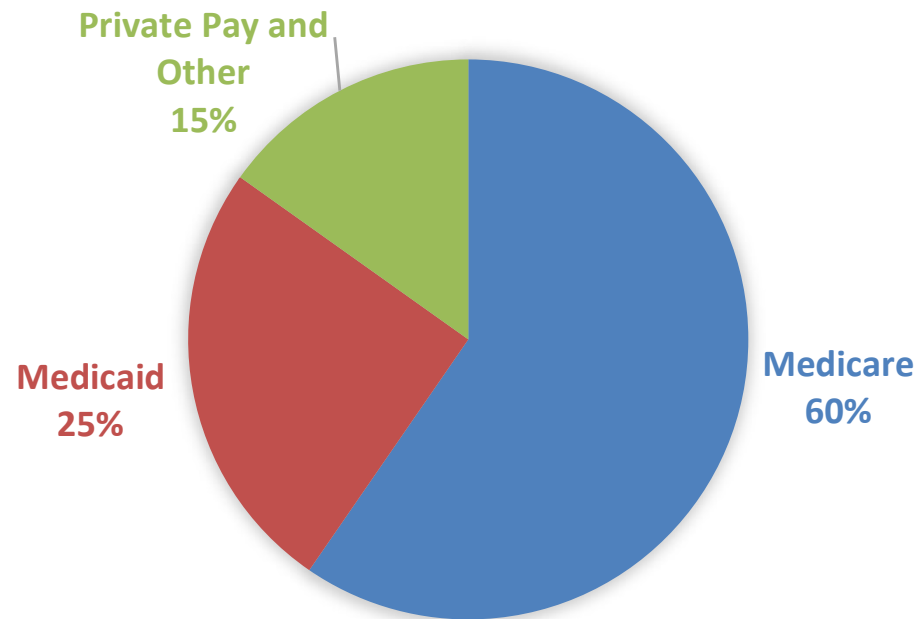
# Growth Rates SFY2006-2018



## Growth Rates With S.23 Projection



**PAYER MIX: VNAS OF VT MEMBERS  
LAST FISCAL YEAR COMPLETED 6/30/18**



# A History of Home Health Cuts

The Medicare home health sector has experienced **more rate cuts over the last decade than any other healthcare sector** in the Medicare program and is the only provider type that has not had an increase in Medicare reimbursements since 2009, **totaling a 13.95 percent cut to the base line.**

Any new cuts to home healthcare could result in the loss of home health services in many parts of the country. In the absence of home healthcare services, many beneficiaries will have no choice but to seek post-acute and long-term care in more expensive care settings. In addition, the cuts could interfere with the successful use of home health services as a means to reduce hospital re-admissions. Cuts to home health also threaten important healthcare sector jobs.

The CY 2018 Centers for Medicare & Medicaid Services Proposed Rule for the Home Health Agency Prospective Payment System (HHPPS) includes the Home Health Groupings Model (HHGM), which will result in additional cuts to home healthcare if implemented as proposed.

Implementing a totally new payment system that significantly cuts Medicare home health, with virtually no input from the industry, puts both vulnerable home health beneficiaries and quality providers at significant risk.

**The Partnership and NAHC urge CMS to withdraw the HHGM policy and instead work with stakeholders to develop a fully budget neutral policy that does not limit access to beneficiaries or diminish provider resources.**

YEAR	SUMMARY OF RATE REDUCTIONS
2009	<b>2.75% reduction</b> for case mix adjustment.
2010	<b>2.75% reduction</b> for case mix adjustment <b>10% cap</b> on outlier claims with 2.5% national cap (applies to all future years), mandated by the ACA <b>0.28% reduction</b> for wage index cut
2011	<b>1% reduction</b> to Market Basket adjustment mandated by the ACA <b>3.79% reduction</b> for case mix adjustment <b>2.5% reduction</b> for base rate adjustment
2012	<b>1% reduction</b> to Market Basket adjustment mandated by the ACA <b>3.79% reduction</b> for case mix adjustment
2013	<b>1.32% reduction</b> for case mix adjustment <b>1% reduction</b> to Market Basket adjustment mandated by the ACA <b>2% cut</b> due to sequestration
2014	<b>2.7% reduction</b> due to annual ACA mandated rebasing cut <b>0.6% reduction</b> due to grouper changes
2015	<b>2.4% reduction</b> due to annual ACA mandated rebasing cut <b>0.5% reduction</b> due to ACA mandated productivity adjustment
2016	<b>2.4% reduction</b> due to annual ACA mandated rebasing cut <b>0.4% reduction</b> due to ACA mandated productivity adjustment <b>0.90% reduction</b> for case mix adjustment
2017	<b>2.3% reduction</b> due to annual ACA mandated rebasing cut <b>0.3% reduction</b> due to ACA mandated productivity adjustment <b>0.90% reduction</b> for case mix adjustment
2018	<b>1.7% reduction</b> to market basket adjustment as mandated by MACRA <b>0.90% reduction</b> for case mix adjustment <b>0.5% reduction</b> from expiration of the rural add-on

**41.53%** Cumulative Reduction To Medicare Home Health

Partnership for  
Quality Home  
Healthcare  
THERE'S NO PLACE LIKE HOME

  
**HOMECARE & HOSPICE**  
National Association for Home Care & Hospice