



ENACT DEMONSTRATIONS TO PROMOTE MODERNIZATION OF THE MEDICARE HOME HEALTH BENEFIT

The Medicare home health benefit has undergone tremendous change in recent years. Data from the Centers for Medicare & Medicaid Services (CMS) indicate that in the three years following implementation of the Balanced Budget Act of 1997 (BBA), the number of Medicare beneficiaries receiving home health services annually dropped by about 1 million, or nearly 30 percent. The Medicare Payment Advisory Commission (MedPAC) estimates that in the first calendar year (2001) following implementation of the prospective payment system (PPS), an additional 300,000 beneficiaries lost home health services annually. Further, the Medicare home health population is increasingly a post-acute care population that is served for shorter periods of time.

Given advances in technology and care practices, many patients that previously would have required care in an institution are able to receive some or all of their needed care in the preferred setting – the home. Despite the fact that home care can be a much more cost-effective alternative, MedPAC has also found that a number of beneficiaries that previously would have been cared for in the home are receiving skilled nursing facility care instead. Average costs for a spell of care in other post acute care settings (skilled nursing facilities (SNF), long term care hospitals, etc.) far exceed those of home care. For example, the average cost of home health care is currently around \$4,000, while the average Medicare SNF stay costs about \$8,300. The average spell of care in a long term care hospital is more than \$35,000.

There is a strong institutional bias in federal health care programs. President Bush has shown leadership in this area by promoting his “New Freedom Initiative” under which states are encouraged to provide disabled individuals with the means to remain in the least restrictive care environment despite their infirmity. Health policymakers must take steps to modernize Medicare’s perspective on the home health benefit, as well, particularly if the program is to take advantage of the potential for cost savings by providing care in the home setting. This is particularly important as Medicare’s financial obligations are slated to grow exponentially as the baby boom generation begins to retire.

Also vital to the future of the home health benefit is the availability of sufficient staff to provide services. The home health industry is substantially labor-oriented, and agencies are experiencing record difficulty in recruiting and retaining staff needed to adequately serve the growing population of disabled and elderly patients. Home health agencies are hard pressed to compete with other health care employers that offer better wages, better benefits, lighter workloads, and better hours. And the need for home care workers is only projected to grow in the coming years. A 2001 Department of Labor report revealed a 47.3 percent employment growth rate projection (2000-2010) for home health aides and 62.5 percent for personal care assistants.

Now that home health agencies have adapted to the new prospective payment system (PPS), they recognize the importance of utilizing advances in technology that streamline operations, save time, reduce staff errors, and ensure the provision of the highest possible quality of care. However, the bulk of the industry is made up of thousands of relatively small, local or regional providers, most of which are not highly capitalized. As noted in the Centers for Medicare & Medicaid Services (CMS) Health Care Industry Market Update (September 22, 2003), equity and debt investors perceive the sector as risky, leading to limited access to capital. The home health industry as a whole is considered to be years behind other groups relative to the technology arena.



In order to support needed modernization of the home health benefit, the National Association for Home Care & Hospice recommends that the Congress authorize and fund the following demonstrations to address the above-mentioned concerns:

1. ESTABLISH A HOME AND COMMUNITY-BASED WAIVER-TYPE PROGRAM UNDER MEDICARE

RECOMMENDATION: The Congress should authorize a home and community-based waiver-type demonstration program under Medicare which 1) waives the part-time and intermittent care standards, 2) allows greater flexibility relative to services provided than currently under the home health benefit, and 3) covers services in the home for patients that otherwise would be cared for under the Medicare SNF benefit or in a hospital if it can be shown that the cost to Medicare of caring for the individual in the home would be less than the cost of placement in a nursing home or hospital.

2. ESTABLISH A HEALTH INSURANCE COVERAGE DEMONSTRATION FOR LOW-WAGE HOME CAREGIVING STAFF

RECOMMENDATION: Congress should establish a health insurance coverage demonstration project under which low-wage caregiving staff and their families would have access to subsidized health insurance coverage.

3. ESTABLISH A HOME HEALTH TECHNOLOGY DEMONSTRATION PROGRAM

RECOMMENDATION: Congress should establish a Medicare Home Health Technology Demonstration Program under which telehomecare visits are recognized as “a service(s) ... provided on a visiting basis in a place of residence used as an individual’s home” as defined in §1861m of the Social Security Act. The demonstration program should also provide pass-through funding for telehomecare devices. Further, the Congress should establish a demonstration project under which “pass-through” funds are available to home health agencies to fund technologies that improve operational efficiencies and patient care.

(3/24/04) For more information, contact NAHC Government Affairs, 202-547-7424