



## Profit Margins Projected to Continue Downward Spiral

The onset of the Medicare Home Health Prospective Payment System (HHPPS) in October 2000 was heralded by Congress, the administration, and the Centers for Medicare and Medicaid Services (CMS) as a new era of financial stability for home health agencies (HHAs) resulting from predictable payments and sensible incentives for efficiency. While HHPPS has initiated a degree of stability, the results are uneven, and a large number of providers remain in serious financial jeopardy. Results of several NAHC studies indicate that Medicare HHAs, contrary to government assessments and predictions, have low profit margins that continue to drop. It is projected that in 2004, nearly 36.5 percent of all HHAs will operate with negative Medicare profit margins. Overall industry margins are even worse.

Overall Profit Margins		
	2002-3	2004 estimated
FREESTANDING HHAs ONLY (excludes hospital based)	2.62%	0.07%

Average Medicare Profit Margins for All HHAs	
October 2000 – June 2002 (all cost reports)	7.12%
2001-2 reports (standardized)	5.15%
2002-3 reports (standardized)	5.05%
2003-4 (projected)	-0.95%

Rural v. Non-Rural Medicare Profit Margins		
YEAR	Rural	Non-Rural
2001-2 cost reports	-0.46%	8.12%
2002-3 cost reports	1.02	7.3%
2003-4 projected	-8.13%	2.41%

Percentage of HHAs with Medicare Losses		
2001-2	2002-3	2004 estimated
30.7%	31.2%	36.5%

(3/2004) For more information contact the National Association for Home Care & Hospice Government Affairs Staff 202/547-7424