



OPPOSE COPAYMENTS FOR MEDICARE HOME HEALTH SERVICES

ISSUE: Copayments for Medicare home health services have been advanced in Congress as a means of deficit reduction as well as a means of limiting the growth of Medicare home health expenditures. Some Medicare Advantage plans have imposed home health copays. Copays are regressive, inefficient and fall most heavily on the poorest and oldest Medicare beneficiaries.

RECOMMENDATION: Congress should oppose any copay proposal for Medicare home health services and should prohibit Medicare Advantage plans from charging a home health copay.

RATIONALE:

A copayment would create a significant barrier for those in need of home care and lead to increased use of more costly institutional care.

- Congress modernized the home health benefit by eliminating copays in 1972 and a home health care deductible in 1980 to encourage use of less costly, noninstitutional services. The Urban Institute's Health Policy Center concluded that copays "...would fall on the home health users with the highest Medicare expenses and the worst health status, who appear to be using home health in lieu of more expensive nursing facility stays." ("A Preliminary Examination of Key Differences in the Medicare Savings Bills," 7/13/97.)
- Since implementation of the home health care prospective payment system, there have been substantial declines in use of home health care, increases in use of more expensive skilled nursing facilities (SNFs) and other post acute providers, and some substitution of SNFs for home health services following hospital discharges. (MedPAC Report, June 2003.) A home health copay would worsen this trend.

Copayments are an inefficient and regressive "sick tax" that would fall most heavily on the poorest and oldest Medicare beneficiaries.

- About 70 percent of home health users are age 75 or older. More than half of all users are women and more than half have family incomes of \$15,000 a year or less. About 43% of home health users have limitations in one or more activities of daily living, compared with 9% of beneficiaries in general. (AARP, "Home Health Copayment Would Have Negative Consequences for Medicare Beneficiaries," 8/7/98.)
- The Commonwealth Fund cautioned lawmakers that cost-sharing proposals, such as a copayment on Medicare home health services, could leave vulnerable beneficiaries at risk and place an inordinate burden on those who already face very high out-of-pocket costs. ("One-Third At Risk: The Special Circumstances of Medicare Beneficiaries with Health Problems," 9/01). The elderly already spend 22 percent of their income on health care; those in poor health spend 44 percent and those who are low-income women over 85 spend 52 percent. ("Medicare's Future: Current Picture, Trends and Prescription Drug Policy Debate," Updated Charts, Commonwealth Fund, 7/1/03.) Seniors spend nearly twice as much of their income on their health care now than they did before Medicare began. (AARP, "Out of Pocket Health Spending by Medicare Beneficiaries Ages 65 and Older: 1997 Projection," 12/1/97.)

- Even if Medicaid recipients with low incomes were exempted from the home health copay, a large percentage of them would be ineligible for protection from the home health copay because of the restrictive asset limitation, which has not been adjusted since 1989 and serves as a major barrier. (The Commonwealth Fund, “The Role of the Asset Test in Targeting Benefits for Medicare Savings Programs,” October 2002.)

Home care patients and their families already contribute to the cost of their home care.

- Elderly Medicare patients receiving the home health benefit pay about one-fourth of their home health care expenses out-of-pocket. Those over 85 pay 33 percent out of pocket (“National Health Accounts: Age Estimates, Personal Health Care in Selected Years,” CMS Press Release, December 3, 2004). Most elderly Medicare patients in need of home health services must also pay out of pocket for additional custodial home care in order to remain in their homes. (“Doing Without: The Sacrifices Families Make to Provide Home Care,” Families USA, 7/94)
- Patients going on service for home health must pay a 20 percent copay and the Part B deductible to retain the services of a physician who can order the home health plan of care and provide care plan oversight. They must pay a copay for home medical equipment. Many home health patients will also incur the hospital deductible and copays and the skilled nursing facility copays before becoming eligible for the home health benefit. The Commonwealth Fund estimated that the average Medicare beneficiary in 2000 spent \$1,470 for Medicare premiums and cost sharing exclusive of home health.
- With hospital and nursing home care, Medicare pays for room and board, as well as for extensive custodial services. At home, these services are provided by family members or paid out of pocket by patients without family support. Family members are frequently trained to render semi-skilled support services for home care patients, which Medicare would have to pay for in the hospital or nursing home setting.

Copayments as a means of reducing utilization would be particularly inappropriate for home health care.

- The number of Medicare beneficiaries receiving home health care annually dropped by over 1.3 million between 1997 and 2002, resulting in a cumulative total of over 5 million beneficiaries who lost home health services during this period. For 2004 over one million fewer beneficiaries received home health care than in 1997. The average number of visits provided over a 60-day episode has dropped from 36 to 20. Since 1997 the home health benefit has dropped from about 9 percent of the Medicare program to 4 percent, and CMS projects that it will remain at 4 percent for the next ten years.

Imposition of home health copayments should not be used for deficit reduction or to pay for other initiatives.

- The Balanced Budget Act of 1997 intended to reduce projected spending on home health services by \$16 billion over five years. Instead, home health outlays were reduced by \$74 billion.
- Since 1997, home health spending has dropped by nearly half and CMS estimates of future growth have dropped dramatically.

Medigap coverage would not necessarily cover home health copays and would be too costly for most home care recipients.

- Thirty-seven percent of Medicare recipients have no private supplemental insurance. (Congressional Research Service, “Medicare: The Role of Supplemental Health Insurance,” 10/10/96, p.2). The law governing Medigap policies does not require that all models cover copays.

(2/05) For more information, contact NAHC Government Affairs, 202-547-7424

