

***NATIONAL ASSOCIATION FOR HOME CARE & HOSPICE (NAHC)  
VISITING NURSE ASSOCIATIONS OF AMERICA (VNAA)***

***LOBBY DAY, JUNE 12, 2003***

**PRESERVE THE FULL MARKET BASKET UPDATE FOR MEDICARE  
HOME HEALTH**

**ISSUE:** The home health market basket index updates Medicare home health reimbursement to ensure that such payments keep pace with inflation. For several years, Medicare home health payments have not been fully updated for inflation. Under the fiscal year (FY) 1999 Omnibus Appropriations Bill, the Medicare home health market basket was reduced by 1.1% for each year through FY 2003. While Congress did adjust home health payments to reflect a full market basket for FY 2001, cuts were resumed for FY 2002 and 2003. In FY 2003, the scheduled market basket update was 3.2% but, with the 1.1% market basket reduction and the imposition of the October 2002 home health payment cut (which CMS estimated to be about 7%), agencies sustained a net reduction in payments of, on average, 5%. For FY 2004, Medicare home health is scheduled to receive a full market basket update.

In its 2003 Report to Congress, the Medicare Payment Advisory Commission (MedPAC) recommended that Congress eliminate the market basket update for FY 2004. NAHC, VNAA, and home health providers urge that Congress reject MedPAC's recommendation and support a full market basket update for Medicare home health services.

**RATIONALE:**

- **Current reimbursement levels have failed to adequately cover the rising costs of providing care** including: increased labor costs, rising transportation costs, increased costs related to workers' compensation and health insurance premiums, purchases of new technology, costs for compliance with the Health Insurance Portability and Accountability Act (HIPAA), emergency and bioterrorism preparedness, and the installation of new information systems to accommodate the prospective payment system (PPS);
- **Home health agencies have already experienced a disproportionate amount of cuts in reimbursement as a result of Balanced Budget Act of 1997 (BBA).** With the passage of the BBA, Congress intended to reduce Medicare outlays on home health care in FY 2002 from a projected \$29.9 billion to \$25.2 billion. The Centers for Medicare and Medicaid Services (CMS) now project that home health outlays for FY 2002 will be \$10 billion. This reduction is far in excess of the reduction originally envisioned by Congress, and already has had a profound impact on beneficiary access to care and home health agency financial viability;
- **As a result of the BBA cuts and other factors, approximately 1.3 million fewer Medicare beneficiaries are receiving home health services annually than in 1997.** This loss in volume has made it more expensive for home health agencies to provide care by increasing the cost per visit triggered by the inability of home health agencies to allocate fixed operational costs over a higher visit volume;

- **Home health agencies are already in financial jeopardy** as a result of Medicaid cuts, low private payment rates, and Medicare interim payment system (IPS) overpayments; and
- **A loss of the market basket inflation update could leave home health providers no alternative but to cut down on the number of visits per episode** which could have potential adverse consequences to a patient's clinical outcome. It should be noted that since 1997, the average visits provided over a 60-day episode of care has already dropped from 36 to 20. It would be very difficult for home health providers to continue to lower visit frequency without compromising quality of care. Outcome Concept Systems, a national home health benchmarking firm, has found that reductions in average visits below 20 visits per episode result in lower outcome scores.