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Medicare Home Health Patients Suffer from \$110 Billion in Cuts

The Medicare home health benefit has been cut through legislative and regulatory actions by \$110 billion for the period 2009-2019 according to the Congressional Budget Office. These cuts represent nearly a one-third reduction in support of home care by Medicare. This year Medicare will spend less than \$20 billion on home health care. While home care is a recognized solution to run-away Medicare expenditures, spending on home health services is projected to grow at less than half the rate of spending increases in skilled nursing facility care. The cumulative effect of these home health cuts has been to limit access to care for patients by pushing thousands of providers to the point of bankruptcy.

With the 78 million baby boomer generation reaching their 65th birthday at the rate of 10,000 per day for the next 19 years, the need for home health services will only increase. Home health keeps families together and is overwhelmingly what patients prefer. It is far more cost effective for Medicare than institutional options.

The massive Medicare home health cuts include:

- A 14% reduction in payment rates through “rate rebasing.” While the Affordable Care Act (ACA) required rate rebasing, CMS applied the maximum allowable cut despite evidence of its disastrous impact
- Reductions in annual inflation updates in 2011, 2012, and 2013 under the ACA. These reductions of 1 point in each year cut payment updates by over 40%
- Over 10.6% in rate reductions by CMS through regulatory adjustments
- A 2% payment reduction under the Medicare sequestration law
- Starting in 2015, a “productivity adjustment” expected to reduce payments by .5% to 1% annually

CMS itself projects that the impact of these cuts will be that 43% of home health agencies will be paid less than their costs for care by 2017. The industry projection, using more realistic data, is that about 56% of providers will be on the verge of bankruptcy at that point.

Congress should therefore resist making additional cuts in home health care for any reason, including deficit reduction. Instead, Congress should reaffirm its commitment to providing Medicare beneficiaries with access to home health services throughout the nation. In doing so, Congress will help reduce overall Medicare spending while keeping the elderly and persons with disabilities in their own homes.