

U.S. Senate Finance Committee Chairman's Mark calls for \$43 Billion in home health cuts over the next 10 years...

(up to date news provided by the National Association for Home Care & Hospice)

On Sept. 16th, U.S. Senate Finance Committee Chairman Max Baucus (D-MT) released his proposal for health care reform. **Senator Baucus proposes lower payment rate cuts, targeting of cuts where possible to areas of abuse, and the gradual implementation of cuts thereby providing an opportunity to adjust.** With respect to Medicare home health services, the proposal is a significant improvement over the proposals in the House of Representatives. **(The House proposes \$56.8 billion in cuts over 10 years while Senator Baucus proposes \$43.2 billion.)** However, the cuts are still too high if full access to high quality home health care is to be maintained.

In Chairman Baucus' mark of the bill, starting in 2013, the secretary of Health and Human Services (HHS) would be directed to rebase Medicare home health payments to reflect the number and mix of services, level of intensity of services, and the average cost of providing care. The HHS secretary would be required to take into account differences in provider types (e.g., freestanding vs. hospital based, for-profit vs. nonprofit, urban vs. rural) and would evaluate costs based on data from the most recently available audited cost reports.

Once this rebased reimbursement is laid out for home health, it would be phased in for home health payments over four years as follows:

- **CY 2013: 25% rebased rate and 75% rate under prior calculation.**
- **CY 2014: 50% rebased rate and 50% rate under prior calculation.**
- **CY 2015: 75% rebased rate and 25% rate under prior calculation.**
- **CY 2016: 100% rebased rate.**

The rebasing adjustment would be limited to no more than a 3.5% per year reduction under Baucus' proposal.

Sen. John Kerry Agrees to Sponsor Amendment

Sen. John Kerry (D-MA) has agreed to sponsor an amendment on rebasing home health services payment rates to the Chairman's Mark. Sen. Debbie Stabenow (D-MI) will introduce the amendment along with Sen. Kerry.

Sen. Kerry's amendment builds on the framework established in the Chairman's Mark regarding the rebasing of home health payment rates. **The amendment clarifies that normal business costs related to home health care would be used in resetting the rates in order to provide detailed standards for the HHS secretary to apply in the rebasing. In addition, the amendment sets the threshold for the rates at a level that recognizes the need for working capital to meet payroll and maintain high quality services. Finally, the amendment restricts the secretary from adding unrelated rate cuts during the rebasing period to achieve some semblance of payment rate stability for home health agencies.**

Specifically, it sets the standards for payment rates as follows:

- 1. The rates would be based on all usual and customary business costs consistent with standards under the Internal Revenue Code and usual business operations expenses.**
- 2. The rates would be set no lower than average cost plus 5% to reflect the needs of normal businesses for operating capital and operating margins.**
- 3. During the rebasing period, the secretary would withhold any regulatory-based rate adjustments.**
- 4. The rates would reflect budget neutrality related to the estimate of expenditures by the Congressional Budget Office and in consideration of both regulatory and legislative rate adjustments.**

The amendment would apply the productivity adjustment only after the rate rebasing is completed to prevent multiple rate cuts in a single year.