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October 17, 2011

The Honorable Patty Murray
Co-Chair, Joint Select Committee on Deficit Reduction

The Honorable Jeb Hensarling
Co-Chair, Joint Select Committee on Deficit Reduction

The Honorable Max Baucus
The Honorable Xavier Becerra
The Honorable Dave Camp
The Honorable James E. Clyburn
The Honorable John Kerry
The Honorable Jon Kyl
The Honorable Rob Portman
The Honorable Pat Toomey
The Honorable Fred Upton
The Honorable Chris Van Hollen

Members, Joint Select Committee on Deficit Reduction

Dear Co-Chairs and Members:

Thank you for all your hard work addressing our country's growing deficit, including the concerns on the future of Medicare and Medicaid. We recognize that there are no easy solutions that will please everyone. However, we also fully understand that action is necessary if these vital programs are to be preserved for future generations. As members of Congress charged with the great responsibility to address the deficit, you can recognize the value of Medicare and Medicaid to our seniors and disabled. You also understand that the programs can be improved to address spending growth through innovation, use of cost saving technologies, and modernized payment models. Among the readily available innovations is skilled home health care with its state of the art technological capabilities combined with low cost of operation.

In your efforts to resolve these crucial matters, the Home Care and Hospice Financial Managers Association (HHFMA) appreciates the opportunity to convey its insights and experiences in a constructive way. HHFMA represents the thousands of professionals across the country who are experts in what it takes to financially support and maintain access to high quality home care and hospice services. These services are an instrumental part of the clinical and fiscal solutions to the ills of our health care system, particularly with an aging population and the growing prevalence of chronic illnesses.

Each year, home care and hospice services meet the needs of over 12 million citizens of all ages and levels of infirmity. With a broad combination of high tech skilled services and hands-on personal care, home care and hospice is not only a cost effective alternative to institutional care, these services provide deep dynamic value by providing the means for individuals to avoid hospitalizations, reduce re-hospitalizations, and control overall health care spending by preventing costly exacerbations of their illnesses.

There are measures under consideration that will pose high risks of dismantling the care systems that provide these essential services. One such proposal is to establish a copayment for Medicare home health services. Your predecessors in Congress recognized the harm that a home health copayment can trigger in 1972 when it eliminated the Medicare coinsurance and deductible requirements from both Medicare Part A and Part B. Since that time, bipartisan members of Congress have opposed attempts to reinstate Medicare home health copayments. The reasoning then still fits today as even small financial barriers to care can create unintended increases in overall spending as beneficiaries seek out care in settings without such costs.

HHFMA expects that a Medicare copayment for home health services would also lead to disastrous financial consequences for home health agencies. In addition to the reduced volume of patients, home health agencies will experience significant bad debt and charge write-offs triggered by unpaid copayments and payment reductions for dual-eligible Medicare-Medicaid patients. State Medicaid programs generally do not cover Medicare copayments, limiting payment to the total that Medicaid would provide if it were the sole payer. Nationally, Medicaid payments for home health services are far less than the cost of care. The combination of these revenue reductions would severely weaken the care delivery infrastructure for Medicare and Medicaid patients nationally.

HHFMA estimates that a five percent copayment (MedPAC's proposal) will leave over 50 percent of Medicare home health agencies operating at an unsustainable loss; a 10 percent copayment (CBO proposal) would increase that number to nearly 60 percent; and a 20 percent copayment (Deficit Commission) would leave over 75 percent of providers in the red financially. Unlike other providers of care, home health agencies do not have a material number of commercial payers that provide sufficient revenues to offset the expected losses. These results would certainly lead to the closure of most home health agencies and result in a shift of care to much more costly settings at a time when Medicare and Medicaid can least afford it.

Other proposals that have been suggested include freezing Medicare payment rates and

accelerating the rate rebasing scheduled to begin in 2014 with a four-year phase-in. These ideas also would have a significantly detrimental impact on the financial viability of Medicare home health care. Congress intentionally required a series of payment reforms in home health services to occur over a gradual and periodic basis to provide the opportunity for companies to adjust so that they might stay in business and allow continued access to care.

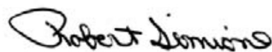
An acceleration of rate changes will push providers off a financial cliff comparable to 1998-99 when the Balanced Budget Act of 1997 lead to the closure of over 4,000 home health agencies and the loss of access to care for over 1.5 million Medicare beneficiaries. Costs of more costly Medicare-covered skilled nursing facility care also grew exponentially. Such a risk is high with these new proposals since Medicare regulators also have proposed a cut of over 5 percent for 2012 on top of the more than 12 percent cuts implemented over the last four years. Simply put, home health agencies are at the tipping point of survival even without the impacts of the new proposals.

HHFMA would also like to offer a few insights on Medicare hospice care. At a time when our health care system has finally recognized the value of hospice care, any change in Medicare reimbursements would send it back to the dark ages. This would happen if any new cost-sharing obligations were instituted such as those contained in the Deficit Commission's considered recommendations. Medicare beneficiaries should face no barriers to choosing hospice care in the final days, weeks, and months of their lives. Increased cost-sharing will erect those barriers. Also, hospices are in no position to sustain the costs of collecting copayments let alone the likely bad debt arising from unpaid copayments. Currently, the average margin of a hospice is 3-5 percent without regard to the costs of certain services that Medicare disregards.

The better alternative to the reforms under consideration is action targeted against the waste and abuse in Medicare and Medicaid. For example, a Medicare home health copayment affects all beneficiaries, especially those who truly need the care. Unnecessary utilization can be controlled in a targeted way and avoid the harm otherwise caused to those whose need for care is bona fide. Likewise, instead of rate cuts to all providers of services with its concomitant risk of curtailing access to care, targeted payment safeguards can more than bring equal savings.

Thank you for the opportunity to convey our thoughts on how to solve this country's health care financing problems. Home care and hospice present clear financial solutions to both present day and foreseeable financing demands on Medicare and Medicaid. As such, we urge you to strongly preserve and protect the highly valuable home care and hospice programs and avoid dismantling them at the time of our greatest need.

Sincerely,



Robert J. Simione
Chairman