

Wednesday, August 5, 2009

## **NAHC Strategy: An Array of Ideas to Find Alternate Savings, Reduce Proposed Cuts**

*NAHC Continues to Work with White House, Congress to Avoid Deep Home Health, Hospice Cuts in Health Reform Bills*



**NAHC President Val J. Halamandaris describes the multiple fronts NAHC is battling to reduce the proposed home health cuts.**

compound and make for an untenable situation for home care providers. "We want to make sure that with any changes they make in the Medicare program, we're not being hit simultaneously with a regulatory cut and a legislative cut, because then you'd be walking on quicksand," he said to attendees. "You need some predictability — you deserve some predictability. The seniors who you care for, the nurses and therapists you hire deserve stability and continuity, to understand that what we do is something stable that will go on and on."

There are a range of threats and cuts facing home health and hospice, from continued case-mix "creep" regulatory home health cuts to scathing provider cuts proposed in various versions of health care reform bills, and the National Association for Home Care & Hospice (NAHC) and its affiliates are hard at work on all of them. "When you're dealing with a battle like this, you have to work on multiple fronts," noted NAHC President Val J. Halamandaris, speaking in Boston last week at the open of the 15th annual Financial Management Conference and Exposition.

Halamandaris stressed that while much attention is being focused on broad health care reform, various reductions and changes in Medicare payment could

### **Factors on the Table Include:**

- **The House of Representatives' proposed health reform bill would attempt to expand health insurance coverage to all Americans at a cost of roughly \$1.2 trillion over 10 years, a little less than half of which would be paid for through Medicare provider cuts. Medicare home health providers would face a disproportionately large cut of \$56.8 billion over 10 years ([NAHC Report, July 30](#)).**
- **The home health cuts that the House proposes are in line with recommendations of the Medicare Payment Advisory Commission (MedPAC), starting with a freeze on the market basket inflation update for 2010.**
- **The 2.71% case-mix "creep" adjustment that was proposed for 2011 home health payments would be accelerated and added to the already-scheduled 2.75% 2010 cut for a total of 5.46%.**
- **Home health payment rates would be rebased in 2011 (a reassessment of what the home health episode consists of and resetting of the base payment rate). If the Centers for Medicare & Medicaid Services (CMS) can't complete this rebasing by then, there would be a 5% reduction in payment rates to act as a proxy for the rebasing.**

- **All Medicare providers including home health agencies and hospices would face a productivity adjustment reducing payments by 1% every year starting with 2010.**

"The House has been very draconian," surmised Halamandaris. "They're not listening to anyone and won't talk about whether these proposals they're put forward are a good idea. They're simply trying to come up with money" to pay for health care reform, he contended. Meanwhile, he added that a proposed bill put forth by the Senate Health, Education, Labor, and Pensions (HELP) Committee takes "a more reasoned approach" and has less across-the-board, indiscriminate cuts to home health providers, and also contains the Community Living Assistance Services and Supports (CLASS) Act. The CLASS Act would be positive for home care providers in that it creates a long-term care benefit similar to many long-term care insurance plans and would provide a per-diem spending amount to those who need support with activities of daily living ([NAHC Report, July 21](#)).

"So if what they're doing in the House of Representative is absolute poison, then you're going to scurry over to the Senate and try to come up with something more reasonable," Halamandaris explained, "and that's what has happened." NAHC's top legislative staff and congressional advocacy team have been meeting with the Senate and the White House to listen to what's being proposed, "and we've let them know that we support the idea of health care for everyone," Halamandaris maintained. "We support that idea, but no, we have not signed on to something which means the annihilation of our industry," he continued. "If cuts are going to be in the neighborhood of \$50 or \$40 billion, it's going to be a devastation setting this industry back years and years."

"There are not many of us who have had a lot of sleep lately — this is a little bit like making a stew and being in the pot with it while you're doing it," Halamandaris quipped. So in talks with the White House and Congress, NAHC has been brainstorming and working to find alternative ways to reduce spending or lessen cuts to counter proposals in the House and Senate and, hopefully, convince the Senate Finance Committee to deliver a health reform bill that will be less damaging to home care providers.

"The real game in town right now is the Senate Finance Committee. It's the last chance for there to be any kind of bipartisan action," noted Bill Dombi, NAHC's vice president for law and director of the Home Care & Hospice Financial Managers Association (HHFMA), which cosponsors the Financial Management Conference. "Senator Max Baucus, who chairs the Finance Committee, has said he doesn't want to move forward unless this can be a bipartisan bill. So for the last few weeks, the G6 — the 'Great Six' — have been meeting routinely in his office for hours on end, three Republicans and three Democrats," Dombi said. That group includes Republican Senators Chuck Grassley (IA), Mike Enzi (WY), and Olympia Snowe (ME), and Democrat Senators Kent Conrad (ND), Jeff Bingaman (NM), and Chairman Baucus.

In advocating on behalf of home care and hospice providers, NAHC's strategy takes a multi-pronged approach. "We say, number one, that we have to reduce the depth of the cuts. They cannot be as steep of cuts as they're talking about," Dombi said. "The \$56.8 billion in cuts over 10 years to home health that is proposed, with the Medicare program's expected spending over that time on home health of \$318 billion — you do the math. That's a big chunk of home care that is lost. Anybody, including President Obama, who believes that cutting \$56.8 billion from home care isn't going to have any effect on access to care is actually delusional," he asserted.

At the same time, NAHC is working to suggest alternative cuts to indiscriminate or across-the-board ones, which would likely do irreparable damage to providers with slim or negative margins while leaving any "gamers" with much higher margins less affected, and perhaps the "last ones standing." Of course, there must be some margin, Dombi noted. "Is there any business that can operate without a margin — for profit, non-profit? If you know how to operate a business without a margin, then you just discovered the secret that no one else has

so far. In home health, you have to pay payroll before you're paid for the services that you've just provided. It's just not possible to do that without a margin," he said.

"With the indiscriminate cuts like rebasing of home health payments or cutting the market basket update, what can we do to target where we think the money's being spent that it shouldn't be spent?" Dombi continued. "Outlier payments in south Florida are one of the things on our target list. Some \$300 million was spent in outliers for diabetics who can't self-inject insulin in Miami alone, compared to \$1 million in Chicago," he said. "Either all those diabetics got a one-way plane trip south to Miami, or something's gone wrong down there. We think that the industry at large is getting a bad reputation because of that, and we can substitute outlier reform instead of having across-the-board rate cuts, for example."

It is looking near certain, however, that if there is a Medicare bill that is part of a health reform package, it will contain cuts of some sort to home health payment. "To the extent that there are rate cuts, we say we need a 'smoother landing,'" Dombi said. "How can we end up in any way possible managing cuts of any magnitude and help smooth them out?" To illustrate what NAHC is trying to avoid, Dombi referenced the damaging Interim Payment System (IPS) that was implemented for home health services prior to the onset of the Prospective Payment System, which he said was "a crash" that dropped payments significantly overnight for home health providers and resulted in the loss of 4,000 agencies and a million beneficiaries receiving care.

#### **NAHC suggestions for health care reform include:**

- **Instead of cutting the inflation update in one year all at once, reduce the update by 1% in 2010, 2011, and 2012 to allow agencies to adjust and plan for it.**
- **Rebasing of home health payment rates should start no earlier than 2013. It should also be phased in over four years' time.**
- **There should be a ceiling on any rate reduction due to rebasing. Note that when cuts to home health took place under IPS, the Congressional Budget Office estimated that they were going to total \$16 billion. The amount of cuts turned out to be \$73 billion, or roughly five times as much as predicted.**
- **Productivity adjustments must be held off while home health goes through other adjustments such as rebasing so that cuts are not compounded.**
- **Current 2010 cost report information should be used in any rate rebasing and other analyses to reflect the real product that home health is, rather than years-old, outdated data. Moreover, Internal Revenue Code standards should be used in accounting for costs.**
- **The rural add-on, redubbed the "rural service adjustment" as a better descriptor, should be reinstated.**
- **Adjustments for vulnerable patient populations should be included in health care reform.**
- **New "case-mix creep" cuts should be foregone while other changes and reductions to home health payment are being made and implemented.**
- **The amount of outlier payments that can be paid to any specific home health provider should be limited. A proposed outlier maximum is 10% of a given provider's episodes of care.**
- **The CLASS Act should be included in health reform legislation.**
- **There should be parity for Medicare Advantage such that it and Medicare fee-for-service are not two different sets of benefits and rules.**
- **A chronic care demonstration program should be enacted to explore the future of home health services in home-based management of patients with multiple chronic illnesses.**
- **A Medicare telehealth demonstration program should be enacted.**
- **A targeted two-year moratorium on new home health agencies should be put in place to help combat anomalously disproportionate agency growth in certain areas of the country such as Houston.**
- **Home care managers and executives should be required to be credentialed.**

- **In contrast to proposals for post-acute care bundling in which hospitals would be given a sum and would manage post-acute care, a *pre-acute care bundling* program should be created and controlled by home health agencies to stop people from ever going to the hospital.**



**Bill Dombi, NAHC's vice president for law and director of the Home Care & Hospice Financial Managers Association urges everyone to engage with their lawmakers to reduce the proposed cuts.**

"Recess for the Congress is just the opposite for you," said Dombi. "I need engagement and a commitment to pass on that engagement. I need for each and every one of you to take the message that we have offered here and go back and get involved with grassroots campaigns, but not by yourselves. Everybody in your organization as well as the physicians and the patients could be part of this grassroots effort," he said, encouraging attendees to [utilize the NAHC LAN](#) to send messages to Congress and get involved with their congressional representatives while they are in their home districts for the August recess. There are a number of ways in which advocates can get involved to spread the word and stand against cuts to home care ([NAHC Report, July 23](#)).

Notably, NAHC is focused not only on these proposed cuts and avoiding or reducing them, but also on expanding home care services in ways such as managing care for those with multiple, complex chronic illnesses ([NAHC Report, Oct. 20, 2008](#) and [Oct. 21, 2008](#)). "We must work to expand access to home care and hospice because we truly do believe it's a solution. We've got great value," Dombi reinforced.

Halamandaris noted, "What you have to believe is that this is the beginning. The pain that we have, the pain that we feel is associated with childbirth, not with death. You heard it from me. God bless you."