



ISSUE PAPER

No Further Cuts to the Medicare Home Oxygen Benefit

The American Association for Homecare (AAHomecare) believes that Medicare rates for home oxygen therapy should not be cut any further in light of numerous changes to the oxygen benefit passed in both the Deficit Reduction Act of 2005 (DRA) and the Medicare Modernization Act of 2003 (MMA). With oxygen providers facing competitive bidding and a 36-month cap on Medicare payments, the industry is facing real uncertainty that could jeopardize beneficiary access to care and the services those patients currently receive. The Association supports a payment system that is based on patient need and which recognizes the clinical and equipment services that are provided as an integral part of the home oxygen benefit. The Association also urges Congress to repeal the transfer of oxygen equipment ownership from provider to patient which was mandated by the Deficit Reduction Act.

Background:

Medicare reimbursement rates for home oxygen therapy have been reduced by nearly 50 percent over the past 10 years. The Deficit Reduction Act of 2005 changed the Medicare benefit to force home oxygen patients to assume ownership of and responsibility for medical oxygen systems after 36 months of rental. This transfer of ownership effectively severs the patient-provider relationship for home oxygen therapy under Medicare, which raises numerous patient-safety issues. The American Association for Homecare, the American Lung Association, and other patient and provider stakeholders vigorously opposed that change in Medicare policy.

Oxygen therapy is critical to approximately 1.4 million Americans who suffer from respiratory illnesses such as chronic obstructive pulmonary disease (COPD) and who require oxygen therapy under Medicare. Nationwide, as many as 12 million Americans have been diagnosed with COPD, a number that is growing. Another estimated 12 million have undiagnosed COPD. It is a slowly progressive disease that causes loss of lung function. Home oxygen therapy can slow or stop lung degeneration.

Oxygen therapy requires more than a piece of equipment. Service costs for medical oxygen therapy in the home exceed the cost of equipment by three to one: 72 percent of the costs required for providing home oxygen therapy are related to services and operation (intake, delivery, maintenance, patient assessment and education, regulatory compliance, and other costs). The equipment represents just 28% of the costs of home oxygen therapy, according to a 2006 study by Morrison Informatics.

Medical oxygen is a prescription drug and the devices are by prescription only. Transferring the burden of ownership to the beneficiary presents serious risks to patient safety. Moreover, medical oxygen therapy at home costs less than \$8 per day in Medicare. A typical inpatient hospital day in Medicare costs \$4,603.

Recommendation:

Improvements to the home oxygen benefit that would make it more focused on patient clinical and service needs will be impossible if there are additional reimbursement cuts.