



Supporting Quality Health Care Services at Home

Special Alert

May 8, 2002

GAO Releases Report on Home Health Costs Using “Outdated Numbers,” says AAHomecare – Findings Also Rejected by CMS

On May 7, the General Accounting Office (GAO) released a report titled *Payment to Home Health Agencies Are Considerably Higher than Costs* (GAO-02-663), which recommends that further cuts in the Medicare home health benefit are warranted. The report, originally scheduled for release on April 1, 2002, uses cost data from 1997 – two payment systems ago, before the Balanced Budget Act was implemented – and, as even CMS agrees, does not present an accurate assessment of the home health industry’s current costs.

According to the GAO report, a “risk sharing” modification and additional cuts in the home health benefit are warranted because average Medicare payments to home health agencies (HHAs) under PPS are about 35 percent higher than preliminary “estimated costs of home health care provided in the first six months of 2001.”

In a letter to the GAO, CMS rejected the findings and recommendations, stating that the cost report data for the first year of the prospective payment system (PPS) are not available, and that “without that data, it cannot be known with certainty what it costs the HHAs to render the services provided.”

CMS further pointed out that (a) data necessary to make year-end adjustments in reimbursement based on cost would not be available until at least 18 months after the end of an HHA’s cost reporting year; (b) such a modification would increase the regulatory burdens on providers, which is inconsistent with the Administration’s goals; and (c) CMS has the statutory authority to make appropriate adjustments in PPS to avoid excessive profits, based on “complete outcome-based quality improvement data” which CMS is currently analyzing. These are many of the same points the industry has been using to show that the cut is not necessary.

The GAO report on *Payment to Home Health Agencies Are Considerably Higher than Costs* (GAO-02-663) can be accessed online at <http://www.aahomecare.org/govrelations/homehealth-gao.pdf>

AAHomecare’s Polisher Research Institute Report on the elimination of the 15 percent cut can be accessed online at <http://www.aahomecare.org/govrelations/polisher-study.html>

For more information on how you can contact your Congressman directly, visit <http://capitol.medgroup.com>