

September 10, 2002

Dear Colleague:

We encourage you to join in cosigning the attached letter to the Chair and Ranking Member of the Senate Finance Committee urging that they include elimination of the automatic 15 percent cut in Medicare home health payments that is currently scheduled to go into effect on October 1, 2002, in any Medicare package that the Committee considers this year.

The Medicare home health benefit has already been cut far more deeply and abruptly than any other benefit in the history of the Medicare program. It is now abundantly clear that the savings goals set for home health in the Balanced Budget Act of 1997 have not only been met, but far surpassed. The most recent Congressional Budget Office (CBO) projections show that the post-Balanced Budget Act reductions in home health will exceed \$70 billion between fiscal years 1998 and 2002. This is more than four times the \$16 billion that the CBO originally estimated for that time period and is a clear indication that the Medicare home health cutbacks have been far deeper and far-reaching than Congress ever intended.

As a consequence of these cutbacks, cost-efficient home health agencies across the country have experienced acute financial difficulties and cash-flow problems, which have inhibited their ability to deliver much-needed care. An additional 15 percent cut in Medicare home health payments would be the absolute death knell for the low-cost, efficient providers who are currently struggling to hang on and would further reduce seniors' access to critical home care services. Moreover, this further drastic cut is unnecessary because we have already achieved – in fact, far surpassed – the savings target set by the Balanced Budget Act.

The fact that Congress has delayed the automatic 15 percent reduction in home health payment rates for four straight years demonstrates that we don't really believe that it is justified. Simply to keep delaying the cut is to leave this "sword of Damocles" hanging over the heads of our nation's home health agencies, creating tremendous difficulties for agencies seeking working capital or lines of credit to help them maintain their operations and continue serving elderly and disabled Medicare patients. This additional cut is simply not needed and it should be eliminated once and for all before Congress adjourns for the year.

Please contact Priscilla Hanley in Senator Collins' office (4-9223) if you have any questions or would like to cosign the attached letter. Thank you for your consideration and we look forward to working with you on this important issue.

Sincerely,

The Honorable Max Baucus, Chairman
The Honorable Charles Grassley, Ranking Member
Senate Finance Committee
219 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senators Baucus and Grassley:

We are writing to urge that the Finance Committee include the elimination of the automatic 15 percent cut in Medicare home health payments that is currently scheduled to go into effect on October 1, 2002, in any Medicare package that the Committee considers this year.

The Medicare home health benefit has already been cut far more deeply and abruptly than any other benefit in the history of the Medicare program. It is now abundantly clear that the savings goals set for home health in the Balanced Budget Act of 1997 have not only been met, but far surpassed. The most recent Congressional Budget Office (CBO) projections show that the post-Balanced Budget Act reductions in home health will exceed \$70 billion between fiscal years 1998 and 2002. This is more than four times the \$16 billion that the CBO originally estimated for that time period and is a clear indication that the Medicare home health cutbacks have been far deeper and far-reaching than Congress ever intended.

As a consequence of these cutbacks, cost-efficient home health agencies across the country have experienced acute financial difficulties and cash-flow problems, which have inhibited their ability to deliver much-needed care. Approximately 3,500 home health agencies nationwide have either closed or stopped serving Medicare patients. Moreover, the Centers for Medicare and Medicaid Services estimates that 900,000 fewer home health patients received services in 1999 than in 1997, which points to the central and most critical issue – the real losers in this situation are our seniors. Cuts of this magnitude simply cannot be sustained without ultimately affecting patient care and access.

An additional 15 percent cut in Medicare home health payments would be the absolute death knell for the low-cost, efficient providers who are currently struggling to hang on and would further reduce seniors' access to critical home care services. Moreover, this further drastic cut is unnecessary because we have already achieved – in fact, far surpassed – the savings target set by the Balanced Budget Act.

There is strong support in the Congress for the elimination of this cut. Last year, the Senate overwhelmingly approved, by a vote of 99-1, a Collins-Bond amendment that was offered to the budget resolution to establish a \$13.7 billion reserve fund that could only be used to

eliminate the 15 percent cut. Last February, 67 Senators joined in sending a letter to the Chair and Ranking Member of the Senate Budget Committee urging them to provide for the elimination of the 15 percent cut, and the Committee subsequently unanimously approved an amendment to do so. The Medicare Payment Advisory Commission (MedPAC) has also voted unanimously to recommend that Congress eliminate the cut, saying that it is no longer appropriate since the outcomes of the original legislation have already been achieved.

The fact that Congress has delayed the automatic 15 percent reduction in home health payment rates for four straight years demonstrates that we don't really believe that it is justified. Simply to keep delaying the cut is to leave this "sword of Damocles" hanging over the heads of our nation's home health agencies, creating tremendous difficulties for agencies seeking working capital or lines of credit to help them maintain their operations and continue serving elderly and disabled Medicare patients. This additional cut is simply not needed and it should be eliminated once and for all before Congress adjourns for the year.

Thank you for your consideration and we look forward to working with you on this important issue.

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