

April 2003

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

Dear Senators Grassley and Baucus:

Home health has become an increasingly important part of our health care system. The kinds of highly skilled and often technically complex services that our nation's home health agencies provide have enabled millions of our most frail and vulnerable older persons to avoid hospitals and nursing homes and stay just where they want to be – in the comfort and security of their own homes.

By the late 1990s, home health was the fastest growing component of Medicare spending. The rapid growth in home health spending understandably prompted the Congress and the Administration – as part of the Balanced Budget Act of 1997 – to initiate changes that were intended to slow this growth in spending and make the program more cost-effective and efficient. These measures however, produced cuts in home health spending far beyond what Congress intended. Home health spending dropped to \$10 billion in FY 2002, nearly half the 1997 amount, and it is clear that the savings goals set for home health in the Balanced Budget Act have not only been met, but far surpassed.

According to the Congressional Budget Office (CBO), the post-Balanced Budget Act reductions in home health spending totaled more than \$72 billion between fiscal years 1998 and 2002. This is over 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 than Congress intended.

As a consequence of these cutbacks, over 3,400 home health agencies nationwide have either closed or stopped serving Medicare beneficiaries. Moreover, the number of Medicare patients receiving home health care nationwide has dropped by 1.3 million – more than one-third. Which points to the central and most critical issue – cuts of this magnitude simply cannot be sustained without ultimately affecting patient care.

On October 1, 2002, home health agencies received an additional across-the-board cut in Medicare home health payments, and the Centers for Medicare & Medicaid Services has dramatically reduced projections for home health spending under the Medicare program over the next ten years. We are concerned that any further cuts in payments for home health services simply cannot be sustained without affecting patient care, particularly for those Medicare beneficiaries with complex care requirements.

As you begin consideration of a Medicare modernization package, we urge that you avoid any further cuts in payments for home health services and preserve the full market basket

update for payments for home health services for 2004. In addition, we urge that you extend the 10 percent add-on payment for home health services in rural areas that expired on April 1, 2003. Surveys have shown that the delivery of home health services in rural areas can be as much as 12 to 15 percent more costly because of the extra travel time required to cover long distances between patients, higher transportation expenses, and other factors. Extension of this add-on payment will therefore help to ensure that Medicare patients in rural areas continue to have access to the home health services they need.

Thank you for your consideration, and we look forward to working with you to ensure that elderly and disabled Americans continue to have access to quality home health services.

Sincerely,

Senator Susan Collins  
United States Senate