



United States House of Representatives
Committee on Ways and Means
Subcommittee on Health

***Rationalizing Medicare Cost Sharing
and Supplemental Insurance Policies***

Submitted by:

The American Association for Homecare

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The American Association for Homecare (AAHomecare) would like to thank Chairwoman Johnson, Ranking Member Stark and the Ways and Means Health Subcommittee, for the opportunity to provide testimony on rationalizing Medicare cost sharing. We appreciate the subcommittees work to strengthen and preserve Medicare and look forward to continuing to work with the subcommittee.

AAHomecare is a national association representing a continuum of home healthcare including home health agencies, suppliers of durable medical equipment (DME), orthotics and prosthetics, and suppliers of re/hab and assistive technology. As a representative of home health agencies, our members are very concerned about proposals to add a copayment to the Medicare home health benefit.

BACKGROUND

The typical Medicare home health patient is female, older, poorer, more likely to live alone, and more likely to have three or more impairments in activities of daily living (ADLs) than the average Medicare beneficiary.

As you know, last year the House of Representatives rejected the inclusion of a home health copayment in the Medicare Modernization and Prescription Drug Act of 2002 (HR 4954). This legislation also included an elimination of the 15% cut and an extension of the 10% rural add on for home health services provided to beneficiaries living in rural areas. Unfortunately, since the bill was not approved by the Senate, the 15% cut went into effect on October 1, 2002 and the rural add on expired on April 1 of this year. While the true impact of these recent reimbursement cuts has yet to be determined, home health agencies have closed since the enactment of the 15% cut and many of the remaining providers are finding it extremely difficult to continue providing medically necessary health care services to beneficiaries in the home. The home health industry desperately needs a period of stability to enable providers of home health services to continue to provide services to the most vulnerable medically complex patients.

CONGRESS SHOULD NOT ENACT COPAYMENTS FOR HOME HEALTH Copayments Would Have Disproportionate Impact on Frail Elderly

AAHomecare strongly opposes adding a copayment to the home health benefit for many reasons outlined throughout the testimony. A copayment would fall heaviest on the sickest Medicare home health patients, those having multiple episodes of care. Home health patients are typically older, sicker, poorer, and are the least likely to have disposable incomes. 70 percent of beneficiaries are over age 75, and 25 percent are over 85. Most have incomes of less than \$15,000 per year, while 43 percent have less than \$10,000 per year. They are confined to home, unlikely to ever return to work, and unable to earn money to offset the cost of an additional copayment.

Home health beneficiaries are already subject to copayments and assume responsibility for many of their health care costs, including the 20% copayment for physicians' services which is an essential part of covered home health services. In addition, home health beneficiaries pay for more of their health care costs than beneficiaries in other treatment settings, as well as their food, shelter, and other costs necessary to remain at home.

Copayments would increase beneficiaries' costs without improving the Medicare home health benefit.

Copayments Will Undermine The Patient Caregiver Relationship and Increase Administrative Burdens on Home Health Agencies

AAHomecare also has concerns regarding the change in the relationship between the beneficiary and the caregiver implementation of a copay would bring. If home health agencies are required to collect a copayment the beneficiaries in many cases will refuse care. In addition, implementing a copayment would add new administrative burdens to home health agencies when they can least afford it. Agencies would be forced to set up new billing and collection systems at the very time they are still trying to master the intricacies of the new prospective payment system and OASIS, as well as preparing for implementation of the Outcome Based Quality Improvement system and HIPAA privacy and transaction standards. These new administrative costs are being imposed upon home health providers in the wake of reimbursement reductions of over 50% stemming from the Balanced Budget Act of 1997.

Copayments Not Needed To Reduce Home Health Rate of Growth

One argument in favor of copayments is that they would help contain the rate of growth in the industry. AAHomecare does not believe that copayments are necessary in order to control the rate of growth in home health. Since 1997, approximately 1.2 million Medicare beneficiaries have been lost from the home health benefit, payments have been cut by more than 50%, and the number of home health providers has been cut by 36%. MedPAC concluded in its March 2003 report that following the implementation of home health PPS, there continues to be a decline in the number of beneficiaries receiving home health services. Simply stated, there is no reliable evidence to show that the home health benefit is growing at an inappropriate rate.

One other misunderstanding is that home health is the only benefit under Medicare that does not currently have a copayment. This is not true. The Medicare program does not impose a copayment on the first 60 days of inpatient hospital services or on outpatient clinical laboratory services.

In 1997, when Congress created the prospective payment system for home health it was done in part as an alternative to copayments. At the time, Congress supported PPS over copayments because PPS promotes efficiency and appropriate care, while copayments restrict utilization by penalizing the sick. If given time to stabilize, the PPS system currently in place can be refined to address issues with the Medicare home health benefit.

CONCLUSION

In closing AAHomecare would like to reiterate its recommendation that the Subcommittee reject the idea of adding a copayment to the home health benefit. Congress should follow the recommendations of the Polisher Research Institute by giving the home health benefit a chance to stabilize.