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NAHC Statement on Medpac Report

WASHINGTON – “The MedPAC analysis and recommendations fall far short of meeting its responsibilities to provide reasoned guidance to Congress. The consequences of these recommendations are obvious. Medicare beneficiaries will lose access to vital home health services,” stated Val. J. Halamandaris, President of the National Association for Home Care & Hospice. “Not only do these recommendations severely threaten the care used by over 3 million of our nation’s seniors, but they put at risk nearly one million home health care jobs while increasing health care costs. Home health care helps our most vulnerable citizens avoid costly hospitalizations and institutional care. It presents a crucially needed solution to rising Medicare spending.” Halamandaris adds.

The Medicare Payment Advisory Commission (MedPAC) released its 2010 Report to Congress containing recommendations for Medicare payments to home health agencies and other health care providers along with its evaluation and analysis of home health services payments. The recommendations were finalized in January. The Report is the annual formal display of the recommendations and the purported basis for such.

MedPAC recommends significant reductions in the basic payment rate for Medicare home health services through a freeze in 2011 payment rates and the implementation of a rate rebasing. While MedPAC also recommends that Medicare take steps to reform the payment model to protect beneficiary access to care, that step is suggested to occur only after across-the-board rate reductions are in place.

“On their face, the recommendations are suspect. However, when one examines the reasoning set out in the report, the flaws are magnified and our concerns are greatly heightened,” notes Halamandaris. “The analysis is devoid of any necessary evaluation of the consequences of the recommendations on patients’ access to quality care. Further, the Report does not even note that Congress is presently considering massive Medicare reforms in home health services payment as part of the health care reform deliberations,” he explained.

The Report contains a combination of serious data omissions, analytical prejudices, and no consideration of the value that home care brings to an ever costly Medicare program in terms of



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preventing hospitalizations and re-hospitalizations, as well its value in avoiding more costly institutional care.” Halamandaris indicated that, “one of the insights gained in the health care reform debate is that home and community based care offers the means to address runaway Medicare costs and to address the growing needs of people afflicted by chronic illness. Home care is the most sensible solution in chronic care management and post acute care,” Halamandaris offers.

Halamandaris pointed out the following flaws in the MedPAC analysis:

1. There is no evaluation of what the payment recommendations would do to access to care. Instead, MedPAC simply portrays the financial status of providers under current reimbursement levels. Even a basic trend analysis is not presented. In reality, the data used by MedPAC from Medicare cost reports shows that by reducing the payment rates in the crude across-the-board approach suggested by MedPAC results in nearly 70% of all home health agencies getting paid less than the cost of care. MedPAC merely reviews current average margins for all agencies rather than considering that there is a very wide range today leading to unsustainable rate reductions to the significant number of providers below the average.
2. The analysis continues the decades-long flaw of excluding the over 1600 home health agencies that are part of a hospital, in contrast to the MedPAC review of other health sectors. These home health providers are totally disregarded despite the fact that many of them are the primary source of home health care in their communities. That exclusion puts those communities in jeopardy while also skewing the calculations of Medicare margins.
3. MedPAC ignores legitimate costs of providing home health services in its focus on Medicare margins. These costs include certain patient care technologies, the services of nutritionists, dieticians and respiratory therapists, federal tax payments, and common business costs such as marketing, thereby overstating profits. The result is that the margins are vastly overstated. Further, necessary guidance on rate rebasing to consider these costs and other normal business operations needs is absent.
4. No consideration is given to the impact of the rate recommendations on the large professional and paraprofessional workforce providing Medicare home health services. Approximately 80% of home health costs are the wages and employment benefits of the nearly one million nurses, therapists, and home health aides. The US Department of Labor predicts that home care is one of the fastest growing areas of employment in the US. Arbitrary rate reductions will serve to increase unemployment.
5. The vast majority of home health agencies use any Medicare “profits” to cover the unmet costs of Medicaid patients and others. The current overall financial margin for home health agencies is approximately 3%. With the MedPAC recommendations, agencies will need to eliminate services to Medicaid patients or face certain bankruptcy.
6. The future of health care depends on a stable home care delivery system. The recommended Medicare cuts would destroy any chance at financial stability and



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eliminate most of these vital care providers. Congress already recognizes that home care is needed to solve the crisis in health care spending. MedPAC continues looking at home health care as if it operated in a silo and ignores the health system-wide ramifications of its recommendations.

7. The evidence clearly demonstrates that growth in Medicare spending and high profit margins is extremely isolated and concentrated in certain providers and geographic locations. The untargeted MedPAC recommendations actually results in support for providers that engage in questionable practices and penalizes those that did not manipulate the system for financial gain.

“We have great respect for the commissioners and the staff professionals at MedPAC. However, it is apparent that they missed crucial facts in their analysis of home health care, made unsupported assumptions, and completely failed to look at the future results of their recommendations,” stated Halamandaris. “These potentially fatal weaknesses call out to Congress for a more accurate and comprehensive evaluation of Medicare home health. Fortunately, Congress has been both willing and capable of that task.”