



# VITAL SIGNS:

A Report on the Financial Condition of  
New York's Home Care System

## Background – Effect of State Actions on New York's Home Care System

The Home Care Association of New York State (HCA) and the New York Association of Homes & Services for the Aging (NYAHSA) conducted an analysis of official, independently-certified financial statements, along with other data, to assess the impact of state budget cuts on New York's home care system.

### Key Findings At-a-Glance

*A cross-method financial analysis of New York's home care system yielded the following "Key Findings"*

**70%** of home care agencies reported total operating losses

**79%** of LTHHCPs reported total operating losses

**84%** of all county-run home health agencies reported operating losses

**\$75M** – the impact of recent home care unfunded mandates

**73%** of providers expect to delay investment in life-saving, cost-saving technologies under a 10% Medicaid cut

## Executive Summary

An analysis of official, independently-certified financial statements, along with other data, reveals that a **devastating \$434 million in state Medicaid cuts** to home and community-based care enacted since April 2008, combined with other state actions, have pushed home care agencies to the brink financially, with perilous consequences for patients, families, communities and the health care system as a whole.

The vast majority of these cuts strike at the core of New York's home care system: specifically, the state's front-line Certified Home Health Agencies (CHHAs) and Long Term Home Health Care Programs (LTHHCPs) which directly support New York's home and community-based Medicaid infrastructure.

CHHAs traditionally provide post-acute, preventive and rehabilitative health services to countless patients at home and also manage patients with chronic illness. LTHHCPs, also known as the "Nursing Home Without Walls," offer long term care, including care management, at home to 25,000 to 30,000 elderly, disabled and chronically ill patients who are nursing-home-eligible, providing a cost-effective alternative to institutionalization.

*Continued on p.2*

Summary - continued from cover

Patients depend on home care nurses, therapists, aides and other direct-care staff to manage complex health conditions at home, preventing illness, injury, and costlier levels of care. In addition, elderly New Yorkers and persons with disabilities rely on home care to support their independence through services otherwise available only in a facility. These programs are the safety-net for our entire health care system.

The Home Care Association of New York State (HCA) and the New York Association of Homes & Services for the Aging (NYAHS) recently conducted a thorough financial analysis of home care providers in New York State. At the center of this analysis, HCA and NYAHS examined the official, independently certified financial statements that CHHA and LTHHCP providers submit every year to the state. This analysis was further supplemented by a detailed survey of home care provider members.

HCA and NYAHS's cross-method analysis discovered, among other "key findings," that an alarming **70% of home care providers are operating in the red**, with many of these agencies approaching closure – and patients at risk of losing services – as state policies continue to erode the home care service infrastructure.

### *Blend of cost report and survey analysis yields key findings*

At the core of this analysis, HCA and NYAHS examined the 2008 Medicaid Cost Reports that must be submitted by every CHHA and LTHHCP in the state. These independently-certified financial statements are required for agencies to participate in the state's Medicaid program and are the intended vehicle for informing the state's Medicaid reimbursement-setting policies.

Cost reports provide official financial and statistical data related to all categories of an organization's revenues and expenses (not just for Medicaid, but for all payors). Given the array of reliable, independently-certified data shown in these reports, the documents are a fundamental instrument for gauging an organization's financial health, especially in the context of discussions about Medicaid policy.

It should be noted that 2008 is the most recent data year available to HCA and NYAHS, given that the state uses two-year-old cost reports as a base

for setting provider reimbursement rates; therefore, the financial impact of \$434 million in enacted state budget cuts to home care since 2008 will not be evident in the reports.

As a supplement to the cost report analysis, HCA and NYAHS also surveyed their CHHA and LTHHCP members to assess the impact of recent cuts, since 2008, and to gauge the fiscal, operational and regulatory challenges confronting agencies that serve New York's most vulnerable patients.

Blended together, the cost reports provide data about an agency's operating margins as of 2008 – well before the home care system was hit with \$434 million in unprecedented state budget cuts – while the home care provider surveys offer a more current "snapshot" of provider experiences since that time.

What follows on page 3 is a summary of key findings from the HCA/NYAHS analysis.



## Key Findings

1

According to the HCA/NYAHSAs cost report analysis, **more than 70% of New York's home care providers had negative operating margins in 2008**, and the size of those losses is mounting, due to chronic reimbursement cuts and unfunded mandates. For two-thirds of those providers operating in the red, the depth of operating losses increased from the amount reported in 2007.

In this context, CHHAs face a unique crisis as they wait for the state Department of Health (DOH) to issue them their final 2009 and 2010 Medicaid rates, which include massive retrospective rate reductions. These retroactive cuts will begin upon the federal government's approval of the state's Medicaid Plan Amendment. Thus, while the State Legislature and Executive have approved \$434 million in cuts to home care since 2008, many of these providers still face a wave of retroactive cuts already budgeted by the state for that period. Like a financial "Doppler Effect," those cuts will compound the impact of any future reductions proposed as part of the upcoming budget process.

2

**Medicaid cuts have greatly and disproportionately hit high-need providers like the LTHHCP.** The LTHHCP is a cornerstone of New York's community-based long term care system and is essential to the functioning of the state's entire health care continuum, providing long term care at **half the Medicaid rate paid for nursing home care.**

LTHHCPs exclusively serve high-need patients, from individuals with severe disabling conditions to the chronically ill and frail elderly, all of whom would otherwise require care in a facility. The LTHHCP, therefore, produces great cost savings to the system. The LTHHCP – because it primarily serves nursing-home-eligible individuals, the vast majority of whom are covered by Medicaid – has been disproportionately affected by state budget cuts.

HCA and NYAHSAs cost report analysis found that: **79% of LTHHCPs reported total operating losses in 2008**; the median operating margin for LTHHCPs fell from negative-6.7% in 2007 to negative-9.3% in 2008; 58% of LTHHCPs experienced operating losses in each of the past three years; and Upstate LTHHCPs saw their operating losses increase by 70% from 2007 to 2008. Additionally, the HCA/NYAHSAs survey discovered that further disproportionate reductions of 10% or more would jeopardize the financial viability of 40% of these essential care providers.

3

According to the HCA/NYAHSAs cost report analysis, **84% of all county-run home health agencies had operating losses in 2008.** These agencies provide vital public health services and are the safety net of the service delivery system for many areas of the state, especially in rural New York where health services are scarce.

The consequences of this fiscal situation for patient care are very real. Nine county-run agencies have closed and/or sold their licenses in the last two years and an additional seven are in the process of closure or sale or are contemplating such action now, destabilizing the health care infrastructure in these predominately rural communities and threatening access to care.

4

**CHHAs and LTHHCPs report that new unfunded mandates and taxes have approached \$75 million.** This \$75 million in unfunded mandates compounds the \$434 million in cuts to create the extreme financial instability of the home care infrastructure. In addition, this litany of unfunded mandates diverts precious staff time from actual home care services. Along with unfunded responsibilities, all home care providers also face a gross receipts tax, while providers in New York City, Long Island, Westchester, Rockland, Orange, Putnam and Dutchess counties must additionally pay a Metropolitan Transit Authority (MTA) commuter tax.

5

**Cuts and fiscal instability further block cost-saving and lifesaving technology investments.** Home care's use of health-related technologies – including home telehealth, electronic medical records and disease-management technologies – has resulted in dramatic reductions in hospitalizations and ER visits, saving payors millions of dollars by reducing health system utilization.

The state's home care reimbursement methodology already lacks a component for capital support, and providers have been severely restrained in their technology development capacity due to the toll of previous cuts. Of further significance, according to the HCA/NYAHSAs survey, **66.7%** of providers reported that a 5% cut in Medicaid will delay or cancel new technology investments, while a 10% Medicaid cut will lead **73%** of providers to delay investment in these lifesaving technologies.

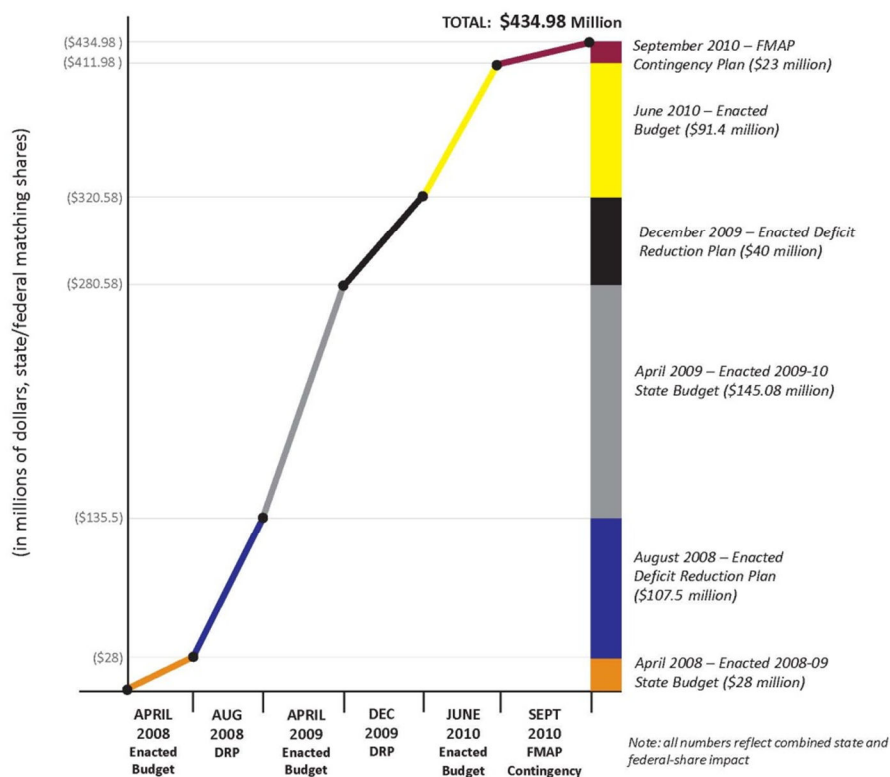
## Conclusion

As HCA and NYAHSAs study shows, New York's home care system has already seen the effect of chronic rate and formula reimbursement cuts and past attempts to advance structural overhauls that, under the banner of Medicaid reform, have functioned as a back-door vehicle for imposing even deeper cuts, leading to the seriously destabilized home care infrastructure revealed in this study.

Meaningful reforms that make the system more efficient and enhance the care that New York provides its citizens are certainly possible. At the Association level, both HCA and NYAHSAs have advanced productive reform and efficiency proposals that build off the strengths and opportunities created by the current infrastructure, supporting the effective models which have otherwise made New York a leader in home health and long term care.

It is clear from HCA and NYAHSAs analysis that blunt reimbursement cuts – including cuts cloaked in the mantle of reform – cannot be the answer. With 70% of home care providers operating in the red and care for hundreds of thousands of patients at risk, it is obvious that the state's recent cost-cutting efforts are threatening the viability of one of the most cost-effective and pivotal components of the health care system.

Mounting State Budget Medicaid Reductions to Home Care (2008 to present)



[www.nyahsa.org](http://www.nyahsa.org)

Founded in 1961, the New York Association of Homes & Services for the Aging (NYAHSAs) is the only statewide association that represents the full range of not-for-profit, mission-driven and public continuing care providers, including home care agencies and other community services providers, senior housing, adult care facilities, assisted living, continuing care retirement communities, managed long term care programs and nursing homes. NYAHSAs 500+ members employ 150,000 professionals serving more than 500,000 New Yorkers annually.



[www.hcanys.org](http://www.hcanys.org)

The Home Care Association of New York State (HCA), the state's premier home care association, represents approximately 500 providers, individuals, and associate members who collectively serve thousands of New Yorkers. HCA and its home care provider members work to promote excellence and support high-quality, cost-effective home care and community services to the citizens of New York State. HCA providers cover the entire state, caring for patients who span the gamut from newborns and new mothers to centenarians, from post-surgical and other post-acute hospital discharges to countless New Yorkers whose every day goal is life at home and in the community instead of in a nursing home.