

HCA MEMORANDUM



REJECT THE EXECUTIVE'S PROPOSED ADDITIONAL MEDICAID HOME CARE CUTS THAT WILL FURTHER CRUSH AN ALREADY REELING SYSTEM

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HCA, New York State's premier home care association, represents more than 400 providers, individuals and associate members who collectively serve thousands of New Yorkers.

Home care encompasses a broad spectrum of services delivered at home to patients who are disabled, chronically ill, recovering from an illness, or have other health-related needs that can be met in the home setting.

"Helping New Yorkers **Feel Right** at Home"

TO: Members of the New York State Legislature

RE: 11/29/10 Special Session Proposal to Slash Medicaid Rates

Date: November 29, 2010

HCA has learned that the Executive has briefed Legislative staff on an Executive proposal to cut Medicaid rates for home care and other health care services by yet an **additional 6.7 percent** – on top of this year's already devastating state actions in home care, which have included the trend factor elimination, continuation of the gross receipts tax, continuation of additional reimbursement cuts embedded in the Department of Health's rate methodology, elimination of public health funding for county home health and hospice services, a further 1.1 percent rate cut from the Executive's FMAP contingency plan reduction being implemented by the Executive without federal approval, and other deleterious state actions.

At a time when the need for home care services for the post-acute and chronically ill is dramatically increasing – and when federal, state and health system reform trends are deeply and increasingly reliant on home care to help prevent avoidable hospitalizations, emergency room use and other medical services use which otherwise result in extraordinary costs – the state's actions are crushing the very component of the system that is crucial to affordability, policy goals and citizen health.

The Executive projects this Special Session proposal to reduce Medicaid reimbursement to home care by another \$41 million, on top of over \$430 million in unprecedented, damaging cuts to home care since just April 2008.

Financial condition analyses of home care providers in New York State demonstrate that home care cannot withstand, without diminution and irreparable damage, these recent cuts already exacted by the state, let alone the effects of the new FMAP contingency reductions and the additional \$41 million in cuts now being proposed by the Executive.

The incontrovertible facts speak for themselves. As of 2007, (the most recent data available, and even *before* the onset of \$430 million in cuts):

- The vast majority of Certified Home Health Agencies (CHHAs) and Long Term Home Health Care Programs (LTHHCPs, which care for nursing home eligible

patients at *half* the cost of institutions) have been forced into *negative operating margins*. Such is the case for 67% of all agencies (CHHAs and LTHHCPs); 75% of LTHHCPs; and 76% county-sponsored CHHAs and/or LTHHCPs.

- 44% of agencies report having to borrow to meet basic operating expenses.
- The financial condition of home care agencies is on a downward spiral. Over a four year trend, 2004-2007, financial losses for just LTHHCPs, for example, increased by 65%.
- *Before* this year's already added cuts and actions, over half of the CHHAs and LTHHCPs in the state reported that they are either "likely" or "very likely" to be forced to close if subjected to cuts of 10 percent.
- On top of the steep payment cuts, agencies suffered an estimated \$65 million in new unfunded mandates and taxes.

The financially raw and deteriorating status of home care in New York State has been made still more vulnerable by progressively deep under-payments from managed care plans (which becomes increasingly serious as more and more patients are diverted into these plans) and by Medicare which alone is projected to result in \$36 million in reduced home care reimbursement for New York in 2011.

The cumulative effect of the state's actions is materializing in the growing closure of agencies, the reduction of programs, services and critical operational support, lost employment and adverse economic impact, and ultimately the counterproductive and deleterious system and patient effects of inaccessible home care.

HCA well recognizes the dire financial condition of the state and, as such, has been a proactive contributor and partner to the state in identifying more constructive, less damaging ways of achieving state budget efficiencies. For example, in the December 2009 Deficit Reduction Plan, HCA's proposal to provide flexibility for nurse medication prefills for home care patients resulted in an enacted provision projected to save New York State nearly \$20 million in this fiscal year.

HCA continues to develop constructive efficiency proposals to counter the otherwise destructive rate-cuts and purported "reform actions" of the Executive and asks for continued partnership with the state in this fiscally and clinically prudent direction. **HCA asks the Legislature's support for this more constructive path and its unequivocal rejection of the Executive's unsound, counter-intuitive and counter-productive Medicaid home care actions.**

For more information on the home care system and/or the impact of the Executive's proposal, please contact HCA at the locations and/or numbers below.