

**THE 2009-10 EXECUTIVE BUDGET**

**A Hearing Before**

**THE NEW YORK STATE DIVISION OF BUDGET**

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**Delivered by:**

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On Behalf of the

**Home Care Association of New York State, Inc. (HCA)**



## **Opening Remarks**

Good afternoon. My name is Thomas Buckley. I am the Chief Executive Officer of the Visiting Nurse Association (VNA) of Albany, Saratoga, Rensselaer. The VNA is a non-profit home health agency that has served the community for 128 years and today provides comprehensive services to over 3,500 individuals annually. The VNA and its related agencies employ over 550 staff and our organization has an operating budget of \$20 million. We provide a comprehensive array of patient services, including short term post-acute care, long term care in lieu of nursing home chronic care; maternal and child health care; mental health care; geriatric alcohol counseling; physical therapy/rehabilitation care; managed care; worker's compensation care; nutrition counseling; and IV therapy.

The Home Care Association of New York State (HCA) is a statewide not-for-profit organization representing over 400 health care providers, allied organizations and individuals concerned with the provision of home care in New York State, and approximately 400,000 patients statewide. HCA and its home health care provider members, including certified home health agencies (CHHAs), long term home health care programs (LTHHCPs), licensed home care services agencies (LHCSAs), managed long term care (MLTC) plans, and hospices, work to promote excellence and support high-quality, cost-effective home care and community services to the citizens of New York State.

HCA's mission is to promote and enhance the quality, accessibility and availability of home care by enabling its members to meet the needs of the individuals and communities they serve. Our providers serve the entire State, from the Great Lakes and Pennsylvania borders to

Suffolk County, Long Island. Our patients span the gamut from preemies to centenarians, from new moms and their babies, to hospital discharges, to the countless New Yorkers desiring long term care at home instead of life in a nursing home.

## **Overview**

We recognize that there are enormous fiscal pressures confronting the State in the creation of a prudent and accountable budget for 2009-10 and future years. As the State explores ways to reduce the budget deficit, home care should be employed as a positive strategy both for producing Medicaid efficiencies and for better serving patients in need. HCA's members can be part of the solution by playing a key role in the State's plan to make health care more cost-effective and patient-centered.

New York State has made the correct and fiscally-prudent decision to restructure the health care system by more strongly relying upon home and community-based alternatives to institutional-based services. This policy change has been supported by the Berger Commission's restructuring of hospitals and nursing homes, the Federal-State Health Reform Partnership (F-SHRP) waiver, the nursing home rightsizing initiative, the nursing home transition and diversion program, Money Follows the Person waiver and other major state policy initiatives.

All of these efforts are predicated on a stable and well functioning home care system to meet patients' needs. Under these reconfigurations, home care is not just the preferred mode of delivering post-acute and long term care services, but is the safety-net for patients as the

system relies less on institutional centers of care and more heavily on home and community-based alternatives.

State leaders are faced with the task of reducing the growing state budget gap in a fragile economic climate. We recognize that the Governor and Legislature will consequently be examining broad areas of the budget for possible savings. However we are compelled to stress to you that further reductions to the home care system in the context of the forthcoming Budget negotiations will leave patients with inadequate or no services, causing many to turn to more costly institutional care, thus driving up Medicaid costs. If home care – an integral part of the restructured health system – is further destabilized by yet additional Medicaid reductions, the State’s reform policies and the health system itself will consequently be jeopardized, as will efforts to streamline the system and save Medicaid dollars.

### **Home Care Has Already Been Cut Drastically**

Home care today faces a very precarious financial situation. The home care system already has been slashed in this year’s Budget agreements. The April 2008 Budget agreement reduced the home and personal care trend factors by 35% – a hit of \$28 million – and reduced premiums for MLTC plans by an additional \$16 million for state fiscal year 2008-09. The August Budget agreement further reduced the trend factor for state fiscal years 2008-09 and 2009-10 – a staggering \$84 million reduction – and also reduced MLTC plan premiums by another \$22 million, for a combined total during the 2008 and 2009 state fiscal years of over \$150 million in state and federal shares.

The trend factor reductions to home care are particularly harmful since they are being imposed on reimbursement of agency costs for staffing, care management and other vital patient care activities. The cuts are further magnified in that they are applied to Department of Health rates which are established based on agencies' two-year old cost reports. Thus the trend factor cuts further reduce these already "lagged rates" which fail to account for new or rising costs that may have occurred over a two-year period, such as for growing personnel needs, fuel for travel to patients' homes, or critical infrastructure investments like health information technology.

### **Unique Pressures Facing Home Care**

The nature of home care presents challenges that no other sector of the health care system faces. Home care is currently being expected to fill the gaps created by the shrinking hospital and nursing home sectors and to provide care for increasingly complex and ill patients. Home care staff are also constantly and uniquely challenged by the need to travel to remote locations and make visits in high risk neighborhoods. Our agencies have been hit very hard by rising gas prices (which only recently have stabilized) and have no direct means of covering these cost increases.

In addition, certified agencies face a loss of \$82 million in Medicare funding due to a federal cuts which reduce Medicare payments by 10.96% from 2008 – 2011.

Other fiscal pressures confronted by home care agencies include staff shortages, significant retention challenges for nurses, therapists, home health aides and other direct care personnel,

the enrollment of needier patients with extensive case management needs, the need for stronger corporate compliance programs (that are also unreimbursed) and the increasing movement of patients from fee-for-service coverage into managed care where home care providers are frequently reimbursed below cost, are denied or curtailed in their reimbursement for services, and are forced to absorb increased administrative expenses in haggling with the bureaucracy of managed care plans, among other challenges.

### **Home Care is Part of the Solution**

In New York, home care is part of the solution to making health care more cost-effective and responsive to patients and their families, but it cannot achieve these goals when basic funding is stripped away. Further funding reductions will damage our ability to meet the increased need for home care, leading to increased use of emergency rooms, a greater incidence of hospital or nursing home admissions or readmissions, and longer hospital and nursing home stays – all at a harmful and counter-productive cost to New York.

### **HCA Recommendations**

As a constructive partner in this Budget process, HCA will be issuing a series of recommendations to further improve and apply the home care system in ways that will increase the efficiency and cost-effectiveness of Medicaid.

Examples include:

- Improved channeling of patients to the most cost-effective and appropriate type of home care.
- Increased efforts at diverting patients from premature or unnecessary institutionalization, particularly at key transition points in their care.

- Application of home-based monitoring and disease management technology in ways that further support patients and reduce costs.
- Targeted care management initiatives directed to the relatively small demographic of patients whose co-morbidities and service needs generate the highest costs.
- Broadened access to New York State’s LTHHCP or “Nursing Home Without Walls Program” which cares for patients at home at less cost than in nursing homes – particularly for those who presently cannot access the program due to various barriers.
- Revised assessment tools for streamlined and more sophisticated patient evaluations, service planning and program eligibility.

We also recommend the strongest possible support by our state leaders for Congressional action to increase the federal matching funds in relation to our state’s Medicaid assistance share. We understand that such legislation could be taken up in a lame-duck session of Congress in mid-November. We recognize the efforts already made by Governor Paterson to advocate for passage of a larger federal Medicaid assistance share and urge continued support by our state leaders for this initiative.

### **Concluding Comments**

HCA appreciates the opportunity to share these preliminary comments with you today. We understand the broad challenges before the State, but urge your continued recognition of the fundamental role that home care must play if the needs of our citizens and the overall health care system are to be met.

We look forward to providing further, detailed input and to working with you to resolve the state’s budget problems. We urge you to view home care as an important positive resource toward that goal.