

LETHAL DOSES



Chronic Cuts and New Mandates Threaten Home Care in New York State

Executive Summary

The 2010-11 Executive State Budget proposal recently unveiled by Governor Paterson – which calls for cutting **\$155.2 million (state and federal matching shares) from Medicaid home care services** – would bring the total number of home care cuts and reduction actions to an astonishing **\$475.8 million** since only April of 2008.

Further cuts would undermine a cost-effective component of our health care system that allows individuals to obtain life-saving and life-sustaining services in a preferred home setting while helping patients to avoid unnecessary higher-cost service use through interventions appropriately tailored to individual need.

Health care policy experts know that home care is not only preferred by patients and their families; in-home rehabilitative, therapeutic, preventive and post-acute services also help patients avoid hospitalization, readmission to the hospital, or premature nursing-home entry, thus saving health care dollars while supporting

See SUMMARY, p. 2

HOME CARE IN JEOPARDY*

67% of home care agencies reported **total operating losses**, according to most recent data.

75% of **county-operated** home care agencies had **operating losses**, according to most recent data.

44% of agencies are either **“likely” or “very likely” to close** their program if hit with an additional **5-percent cut**.

54% of home care agencies would be **“likely” or “very likely” to close** under a **10-percent cut**.

65% – **increase in total operating losses**, from 2004 to 2007, for home care agencies serving patients with chronic health conditions and long term care needs.

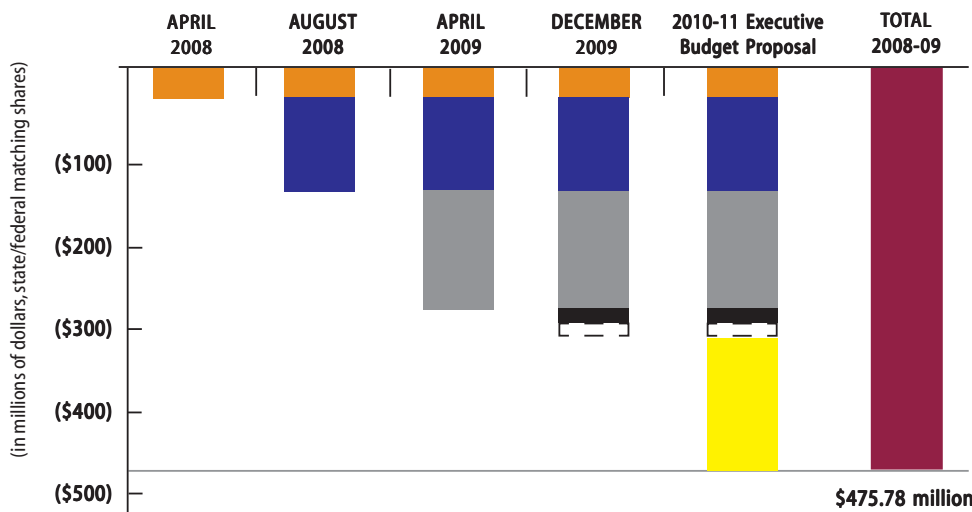
\$65M – estimated **cost of new unfunded mandates and taxes** on home care providers.

44% of agencies **must borrow money** to meet their operating expenses.

*HCA/NYAHS provider survey and cost report analysis

State Budget Medicaid Cuts and Reduction Actions to Home Care

Governor Paterson's 2010-11 Executive State Budget proposal includes approximately \$155.2 million in new state and federal share Medicaid cuts to home care. If enacted, this would bring the total to **\$475.78 million** in cuts and reduction actions since April 2008. (See chart.)



NOTE: For more details on this chart, see page 13.

Lethal Doses is a fiscal-conditions report on the home care industry jointly prepared by the **Home Care Association of New York State (HCA)** and the **New York Association of Homes & Services for the Aging (NYAHS)**.

HCA and NYAHS are two of the state's premier health associations, representing providers across the continuum of home care and long term care.

www.hcanys.org
www.nyahsa.org

▼ **SUMMARY, from p. 1**

the desire of patients to remain in a setting that supports their independence and well-being.

In late 2009, the Home Care Association of New York State (HCA) and the New York Association of Homes & Services for the Aging (NYAHSAs) conducted a multi-tier analysis of the financial stability of home care providers in New York State.

As part of this analysis, HCA and NYAHSAs surveyed their Certified Home Health Agency (CHHA) and Long Term Home Health Care Program (LTHHCP) provider members* to assess the impact of recently enacted state budget cuts and to gauge the fiscal, operational and regulatory challenges confronting agencies that directly provide care to New York's Medicaid population.

Among the survey's key findings, **44 percent of agencies reported that they are either "likely" or "very likely" to close if hit with an additional 5-percent cut. Fifty-four percent of respondents, meanwhile, said they would be "likely" or "very likely" to close under a 10-percent cut.**

In addition to assessing overall agency fiscal health, program and service sustainability, and staffing challenges, the HCA/NYAHSAs survey also inquired about actions that providers had taken, or were likely compelled to take, in reaction to enacted and proposed Medicaid home care cuts, such as resorting to staff reductions, borrowing to meet expenses, and/or delaying needed technological investment.

Further reinforcing the survey findings, HCA and NYAHSAs also conducted a statewide analysis of home care provider cost reports which found that **two-thirds of home care agencies reported total operating losses** due to inadequate reimbursement and rising costs in 2007, the most recent year of available data.

The HCA/NYAHSAs analysis specifically examined providers' 2007 Medicaid cost reports, the certified financial statements that agencies must submit every year to the state as a mechanism for setting policies related to reimbursement. HCA and NYAHSAs then compared the 2007 reports to 2004 data to examine how financial conditions had changed over the three-

year period. (The matched set of providers who had complete reports on file with the state Department of Health for both 2004 and 2007 amounted to 75 percent of all New York providers.)

It became clear from this analysis that further cuts alone are enough to destabilize New York's already fragile home care safety net; yet the impact of these cuts is significantly more lethal when mixed with already inadequate rates of reimbursement and the unprecedented avalanche of new unfunded mandates imposed on providers over the past several months. These new mandates have occupied precious staff and financial resources at agencies whose model of care delivery is already streamlined.

In fact, new unfunded mandates and taxes alone are costing providers millions of dollars. This impact is approximately \$21.5 million for the HCA/NYAHSAs members who responded to the survey. When extrapolated to all New York LTHHCPs and CHHAs, **the impact amounts to an estimated \$65 million** in costs that fall outside of traditional operational expenses devoted to the mission of providing quality patient care. This number increases substantially if other home care provider types (including Licensed Home Care Services Agencies, or LHCSAs) are factored in.*

The situation is even more precarious for agencies serving chronically ill New Yorkers and/or patients who would otherwise require nursing-home admission. **The total operating losses for these providers (LTHHCPs) increased by 65 percent from 2004 to 2007**, according to the HCA/NYAHSAs study, with a total of 76 percent of such programs suffering operating losses.

HCA and NYAHSAs' analysis also uncovered a particularly stark reality for home care service access in rural areas, where a shocking **75 percent of county-run home health agencies reported operating losses in 2007**. Home care delivery in rural areas is tested enough by chronic staffing shortages, the severe absence of other community services needed to sustain the health and support

Continued on next page

*CHHAs generally provide short-term post-acute, preventive and/or therapeutic care at home while LTHHCPs provide long-term services at home for patients who are nursing-home eligible. The Governor's proposed \$155 million in home care cuts would also affect other home care providers and programs, including Licensed Home Care Services Agencies (LHCSAs) who subcontract with CHHAs and LTHHCPs for services and who contract with local social services departments for personal care.

▼ Continued from previous page

needs of New Yorkers living in these communities, as well as the practical challenges of serving patients dispersed across vast geographic stretches, where one agency may be the only provider of its kind in

multiple counties. Given the circumstances, further proposed home care cuts, if enacted, are certain to wipe out services in large stretches of rural New York.

In addition to the grave threat of agency closure, the likelihood of diminished access to services, and the enormous cost of unfunded mandates, the HCA/NYAHSAs survey also uncovered other severe operational stresses that stem from the chronic underfunding of the home care industry.

These stresses include: an incapacity to fill staff vacancies needed for providing care in the community; the postponement or cancellation of investments in cost-saving and care-enhancing technologies; and the elimination of workforce training and education initiatives vital for preparing direct-care personnel to meet the growing complexity of patient needs while preparing all staff for the administrative requirements of voluminous new state and federal regulations. (See Figures 1 and 2, which indicate the percentage of respondents who are “likely” or “very likely” to take the listed action in response to enacted Medicaid cuts.)

What follows, beginning on page 4, is a more detailed look at the findings of HCA and NYAHSAs’s fiscal analysis of New York’s home care system. ■

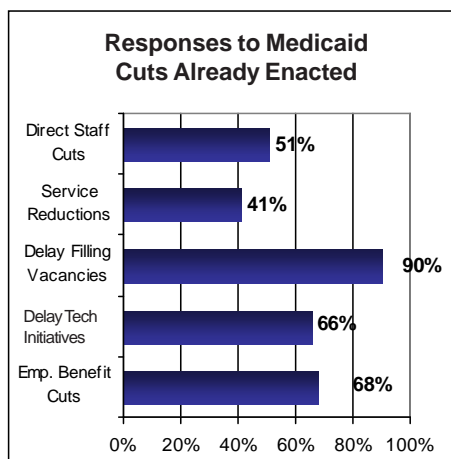


Figure 1

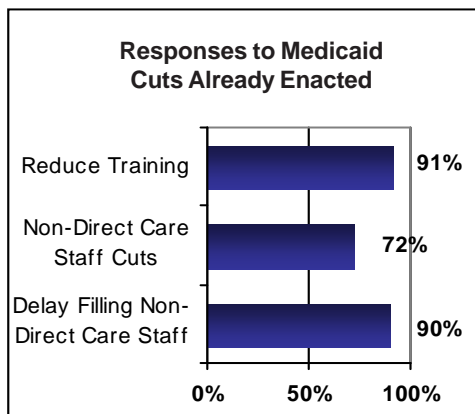


Figure 2

Home Care Finances in Context

New York’s home care community is struggling to survive over **\$300 million** in state and federal share Medicaid cuts enacted since April 2008, with the threat of over \$155 million more in proposed cuts under Governor Paterson’s 2010-11 Executive State Budget.

Since 2008, providers have been hit with four rounds of cuts that have slashed **six percent** of their Medicaid revenue.

For the purposes of HCA and NYAHSAs’s analysis, it is important to recognize that the impact of cuts, like these, enacted during a particular time period can have a rolling effect into later years, due to a lag in the application of reimbursement changes and other key aspects of Medicaid rate promulgation.

Therefore, while it is true that over \$300 million in cuts were enacted by the Legislature between April 2008 and December 2009, the full force of these cuts has not been completely felt by providers at present, since Medicaid rate changes are applied retrospectively for many lines of reimbursement.

Other cuts, meanwhile, affect multiple rate years. Therefore, they have a longer life well beyond the given year in which they were enacted and/or applied.

And while this lag in rate promulgation is not new, the sheer magnitude of recently enacted cuts means that the current snapshot of agency finances severely underestimates the impact on providers of cuts enacted at this time – by an amount far more significant than in prior analyses.

In fact, the combination of enacted cuts and new unfunded mandates imposed on

See **CONTEXT**, p. 4

▼ **CONTEXT, from p. 3**

providers can be viewed as a financial time bomb whose impact, when it fully arrives, will greatly exacerbate the financial pressures reported by providers at the time of the survey, especially in the context of further state budget cuts.

While the HCA/NYAHSAs cost-report analysis ensures that data is examined for the majority of providers in the state, **the fact that the most recent data is already two years old means that many recent developments – including the full harmful impact of \$300 million in legislatively enacted cuts since 2008 – are not captured in that already dire picture.**

And even though the HCA/NYAHSAs survey provides more recent information (the survey was conducted in mid-2009), limitations nevertheless exist in the survey's ability to reflect the latest fiscal developments and their impact, due to the previously mentioned lag in Medicaid rate promulgation and the fact that significant recent developments had not yet occurred at the time of the survey, including the December 2009 Deficit Reduction Plan (DRP).

Key Findings

From HCA and NYAHSAs analysis of cost reports and member surveys, a troubling picture of financial distress emerged for many home health agencies struggling to keep pace with numerous cost increases while maintaining quality services for patients needing care.

While standard operational costs continue to increase, home health agencies in the state are also experiencing a raft of new and varied administrative costs that weigh on their balance sheets. These include the expense of responding to post-payment audits by the state Office of the Medicaid Inspector General (OMIG); requirements that agencies develop non-reimbursed corporate compliance programs; and the need to invest in the latest technological advancements, such as electronic medical records and home telehealth, in an effort to further make the delivery of services cost efficient.

For most agencies, these increases in direct and administrative costs have simply outpaced Medicaid, Medicare and managed care rates of reimbursement, especially given the regressive Medicaid administrative and general (A&G) cost cap, which arbitrarily and inappropriately caps an agency's ability to recover these costs and has other untoward effects on an agency's operation and delivery of services.

Judging from HCA and NYAHSAs survey and cost-report analysis, providers are already experiencing cash-flow difficulties, staffing challenges and the need to cut spending on employee benefits. Disturbingly, many of the measures that home care providers must take as a result of further cuts – such as staff reductions or delays in filling staff vacancies, not to mention possible closure of entire organizations – would directly impact the availability of home care services throughout the state. Other actions, such as delaying technology initiatives or reducing staff training, will adversely affect the types and quality of services offered, as well as the efficient deployment of services.

HCA and NYAHSAs analysis shows that any further rate reductions to home care providers will damage their ability to meet the increased need for home care, leading to over-use of hospital 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 counterproductive cost to New York and to the detriment of patient needs.

Eight key findings from the HCA/NYAHSAs analysis of survey responses and cost-report data are presented beginning on page 5.

1

A majority of home care providers throughout the state are in dire financial distress.

Two-thirds of New York’s home care providers operated in the red in 2007, the most recent year for which complete financial data is available, and the number is increasing. For most, the losses worsened in recent years. Because providers have been subjected to continued underfunding in their reimbursement, additional cuts and unfunded mandates since 2007, the financial stress today is even greater.

Survey results reinforce this: most respondents suffer cash flow difficulties, with **75 percent describing the problem as serious, very serious or dire**; four in ten providers have been forced to reduce staff; and an increasing number anticipate having to borrow money to meet operating expenses.

The most fundamental gauge of an agency or program’s day-to-day financial health is its operating margin.

According to HCA and NYAHSa’s analysis of agency cost reports, **two-thirds of home health agencies in New York operated in the red (experiencing a negative margin) on operations in 2007.**

By comparison, in 2004, just over half of the agencies and programs analyzed had lost money on operations. That represents a hefty 20-percent increase in the number of home health agencies/programs that lost money between 2004 and 2007. Furthermore, in 2007, **20 percent of the CHHAs and LTHHCPs in HCA and NYAHSa’s analysis had operating losses exceeding \$500,000.**

For the 88 LTHHCPs examined in HCA and NYAHSa’s cost-report analysis, the median operating margin worsened from negative 4.0 percent in 2004 to negative 6.9 percent in 2007 (see Figure 3), with **76 percent of LTHHCPs in the state suffering operating losses.**

For the 99 CHHAs in HCA and NYAHSa’s study, the median operating margin fell from a positive 1.9 percent to a negative 0.4 percent in 2007 (Figure 3), with 53 percent of CHHAs in the state suffering operating losses.

Another measure of financial condition is the number of agencies that are borrowing to meet expenses, or the prevalence of cash-flow difficulties. Along these lines, the HCA/ NYAHSa member survey uncovered the following:

- Almost **60 percent of agencies are facing worse cash-flow issues** in 2009 compared to 2008, and **75 percent labeled these cash-flow issues as “serious” or “very serious.”**
- Currently, due to prior state budget reductions, **44 percent of agencies must borrow money to meet their operating expenses.**

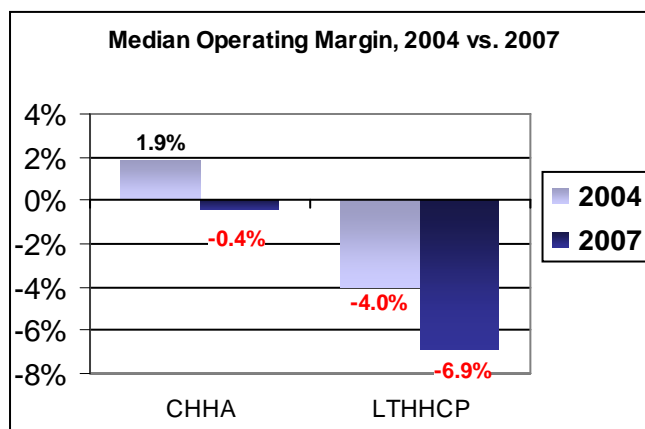


Figure 3

2

Over half of the state’s home care agencies and programs would be forced to consider closure if faced with additional Medicaid cuts.

Since 2003, **15 agencies and programs have been forced to merge or close.** As the full impact of cuts already enacted is felt, 12 percent of providers fear that it is likely or very likely that they may be forced to close. **Additional cuts would cause more than half of home care providers to seriously consider closure.**

More than any other survey result, responses to the question of agency or program closure provide evidence of just how close to the brink Medicaid cuts have pushed a large number of providers: **44 percent of agencies responded that they are either “likely” or “very likely” to close if hit with an additional 5-percent cut.**

Fifty-four percent of all agencies, meanwhile, would be “likely” or “very likely” to close under a 10-percent cut.

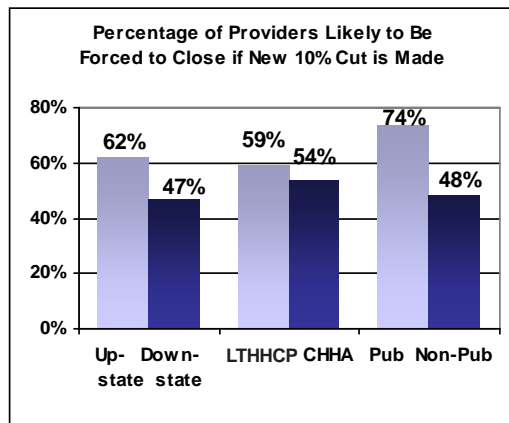
Figure 4 shows the breakdown of survey responses to the question of agency closure by geographic region, provider type and whether an agency is public or non-public.

When asked to describe their first action in response to an additional 10-percent

Medicaid cut, an alarmingly high number of providers mentioned the possibility of closure. Responses included the following:

- “We will be forced to review sustainability of LTHHCP program”
- “We would probably need to close”
- “Would not be prudent to continue operations”
- “Evaluate feasibility of continuing LTHHCP/CHHA”
- “Consult with county administration regarding selling the agency”
- “Consider letting program go”
- “Our Board would evaluate closure”

These comments came from all parts of the state, from both CHHA and LTHHCP operators. However, providers in upstate areas were especially likely to be forced to consider closure in the face of new cuts, as shown in Figure 5. County providers were even more likely to consider closure, which is not surprising given the current stress on county budgets. (See p. 7 for “Key Findings” related to county-run agencies.)



Note: “Downstate” encompasses Long Island, New York City Boroughs and Westchester and Rockland counties.

Figure 4

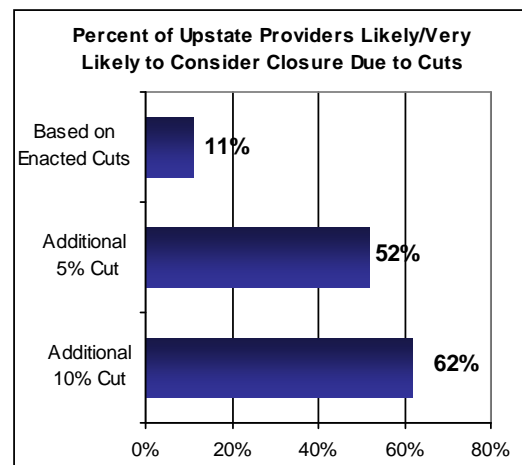


Figure 5

3

County-run agencies are especially endangered.

Nine of the recent home care agency closures were public agencies in rural counties. The financial stress that public agencies and programs are enduring is especially troubling because the county-run home care agency is the sole home care provider in 17 New York counties.

County-sponsored home care agencies are a vital part of the service delivery system in many communities and provide an array of public health services such as child and maternal health care.

Based on the survey data, the majority of rural agencies and programs are county-operated. In fact, of the self-identified rural providers in the HCA/NYAHSAs survey, 77 percent were county-operated. Figure 6 shows the percentage of county-operated agencies that are the sole provider of such services in their county versus the percentage of all agency types that are sole community providers.

Unfortunately, on almost every measure, county agencies fare worse than non-county agencies. According to the HCA/NYAHSAs cost report analysis, **75 percent of all county-run home health agencies had operating losses**. A breakdown (by type) of county agencies losing money on operations is shown in Figure 7. For years, county-operated home health agencies have been among the most financially fragile of home care providers in New York State, and the most recent cost-report data confirmed this reality by revealing that three-fourths of the 64 county-operated agencies and programs experienced operating losses in 2007.

While all home care agencies across the state face the challenges of rising costs, as well as difficulties attracting and retaining adequate staff, these challenges are even more severe in rural areas.

In addition to the cost-report analysis, HCA and NYAHSAs members reported the following about county-run agencies:

- Due to the recent 2009-10 State Budget cuts, **79 percent of county agencies (compared to 42 percent for non-public agencies) are “likely” or “very likely” to reduce direct-care staff** and 85 percent (compared to 47 percent for non-public agencies) plan to delay filling direct-care staff vacancies.
- Under an additional 10-percent cut, 94 percent of public agencies plan to reduce direct-care staff

and 100 percent would delay filling direct-care staff openings compared to 76 percent and 87 percent for non-public agencies.

- **Under an additional 5-percent cut, 73 percent of county agencies are either “likely” or “very likely” to close. That figure is 35 percent of non-county agencies.** Under such a cut, 100 percent of public agencies are likely or very likely to reduce services compared to 59 percent of non-county agencies (Figure 8).

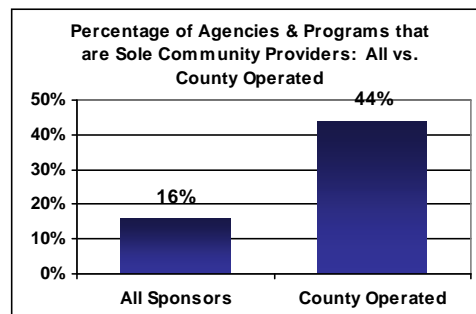


Figure 6

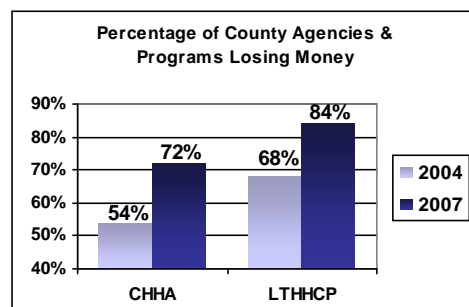


Figure 7

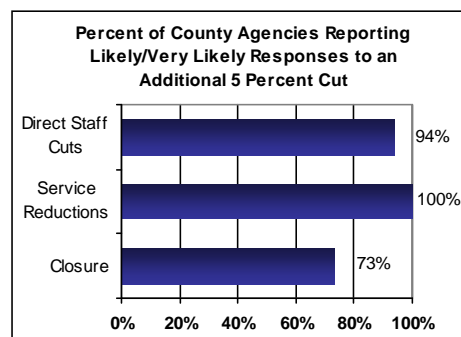


Figure 8

4

Access to the current level of home care services is threatened.

Home care is a staff-intensive service. As such, reductions in staff, especially direct-care staff, are likely to result in service reductions.

While studies show increased demand for home and community-based services – due, in part, to growth in the number of elderly patients and patients with complex health needs, as well as recent contraction in the institutional sector – home care agencies will not be able to meet this need if they must reduce services, cannot keep their current staff, are unable to support investments in additional staff who are the core of home care service, or support other operations critical to the delivery of services.

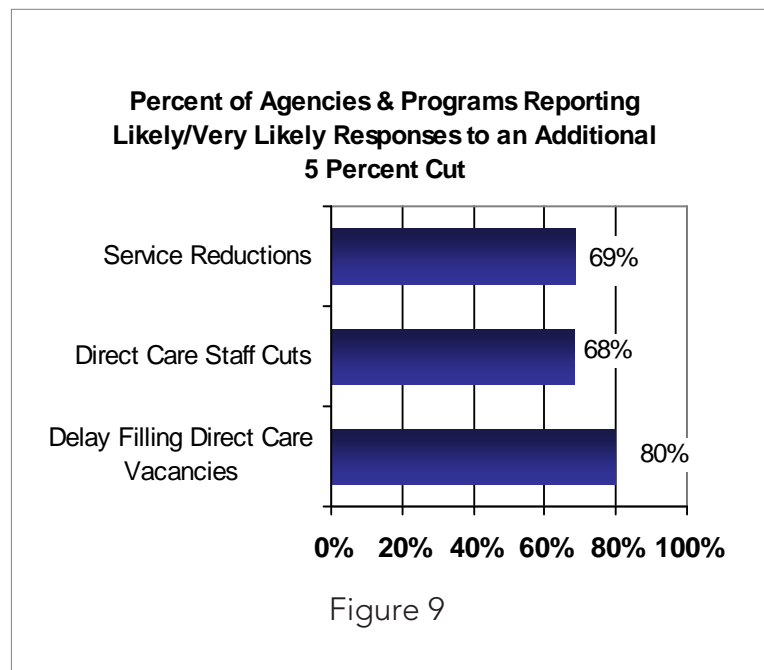
In fact, based on HCA and NYAHSa's analysis, agencies won't even be able to meet the current need for care at home under recently enacted Medicaid cuts, much less the anticipated need for home care in the future.

This disparity is worse in regions of New York State that are served by only one organization of its kind, as is the case for 57 percent of survey respondents, who provide services otherwise unavailable in their communities. **Vast areas of the state are in jeopardy of losing services entirely in the event of closures prompted by further Medicaid cuts.**

Home care agencies have indicated that reduced Medicaid reimbursement will have a detrimental effect on the delivery of care. As a result of cuts enacted in the 2009-10 State Budget, **41 percent of agencies responded that they are "likely" or "very likely" to reduce services.** This figure jumps to 69 percent of providers if funding is cut an additional 5 percent (see Figure 9), and it increases to a whopping 82 percent of providers under a 10-percent cut.

Unfortunately, home care agencies are finding that they currently have to reduce their direct-care staff just to stay afloat. **Over half of agencies surveyed plan to reduce their direct-care staff due to cuts enacted in 2009.** If revenues are cut by another 5 percent, over two-thirds of agencies will have to reduce their direct-care staff (Figure 9); under a 10-percent cut, this figure increases to over three-quarters. Such reductions will further reduce the availability of workers to provide care to patients at home.

The need to reduce staff is further exacerbated by serious shortages of direct care workers. **Over half of agencies anticipate delays in filling direct-care staff vacancies due to the budget cuts enacted in 2009.** This figure increases to 80 percent under an additional 5-percent funding reduction (Figure 9) and increases to 90 percent under an additional 10-percent reduction. In addition, one-half of agencies indicated difficulties in maintaining quality staff.



5

LTHHCPS are particularly vulnerable to Medicaid cuts.

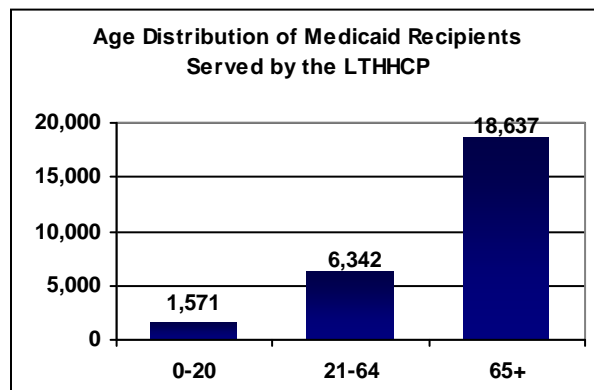
LTHHCPS serve patients who are eligible for a nursing-home-level of care, the vast majority of whom are Medicaid patients. These programs are especially instrumental in reducing Medicaid costs by delaying or preventing admissions to higher and costlier levels of care – and provide care at an average of 50 percent of nursing home costs. At the same time, LTHHCPS are especially vulnerable to Medicaid cuts because they serve a large proportion of poor, vulnerable New Yorkers who rely on Medicaid to pay for their care.

Between 2004 and 2007, **total operating losses for all LTHHCPS increased from negative \$18.5 million to negative \$30.6 million, a 65-percent increase** in operating losses during this period. (See Figure 11.) These negative margins grew significantly between 2006 and 2007, when total operating losses increased from \$26 million to \$30.6 million, a 17-percent increase in operating losses during a one-year period.

Based on the 2007 cost reports, an alarming 76 percent of LTHHCPS experienced operating losses.

Some of the factors that contributed to these negative financial trends include:

- The escalation of operating and bottom-line losses;
- A surge in unfunded administrative audits;
- Inadequate or reduced Medicaid inflationary adjustments that failed to keep up with actual cost increases;
- Significant delays by the state Department of Health in issuing current Medicaid rates;
- Cash-flow disruptions; and
- A Medicaid system that unfairly punished home care providers seeking to become more efficient through technology use (such as home telehealth monitoring) by subjecting them to Medicaid rate cuts through the regressive A&G cost cap.



Source: DOH/OHIP Data Mart

Figure 10

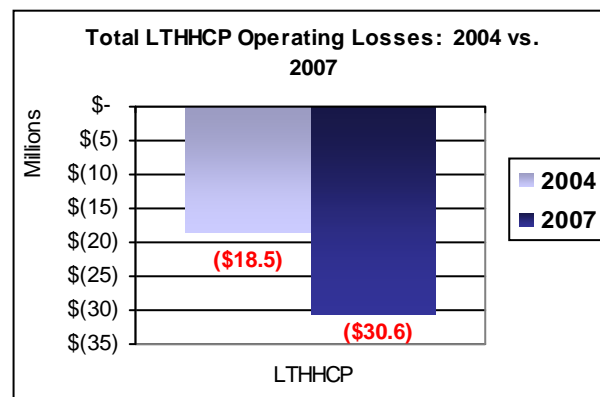


Figure 11

“It would be a crime to shut our LTHHCP down as we have proven a 60% reduction in hospitalizations with a comprehensive telehealth program.”

survey comment

6

New unfunded mandates and taxes weigh on provider balance sheets.

Home care agencies and programs face a number of new unfunded mandates that are costing agencies an additional estimated \$65 million per year. This is equivalent to a 3.6-percent Medicaid cut.

Unfunded mandates necessitate tremendous resources, including money, staff time, training and other expenses. Even barring further cuts, new mandates have thrown agency operations into a tailspin of red tape, by requiring a massive redeployment of resources away from tasks traditionally associated with the core purpose of serving patients.

HCA and NYAHSa's survey found that these unfunded requirements cost survey respondents about \$21.5 million which, **when extrapolated to all LTHHCPs and CHHAs, amounts to \$65 million** in extra costs outside the standard set of patient-care-related expenses.* The new health care gross receipts tax, which was estimated to cost home care providers about \$14 million, is actually costing providers about \$25 million. The new "commuter tax" as part of a legislative package to bail out the Metropolitan Transit Authority (MTA) is costing survey respondents downstate almost \$3 million, which translates to a much higher figure when factoring in all affected agencies.

Among the new unfunded mandates imposed upon providers are:

- Participation by home care providers in a massive and costly statewide billing audit following the expiration of a federal program known as the Third Party Liability (TPL) Demonstration Project. Providers have been directed by the state to demand bill Medicare for at least 30,000 dual-eligible patients whose claims were previously billed to Medicaid. **The financial cost to providers varies from a few hundred thousand dollars to over a million dollars for the largest agencies,** with many providers reporting that this activity has required tens of thousands of staff hours to complete – all because the state and federal governments no longer maintain an efficient system for determining which government payor is responsible when a patient is covered both by Medicare and Medicaid.
- **Ongoing audits** by federal and state officials that necessitate countless hours of administrative and professional staff time to compile, log, and photocopy record requests made by auditors, as well as costs associated with related work by outside

consultants, in answer to increasingly overreaching government audit activities.

- Development of **new corporate compliance policies** to adhere to voluminous anti-fraud efforts by federal and state governments and private contractors, as well as to adhere to newly promulgated rules concerning identity theft, breach of health information, etc.
- **Administration of seasonal and H1N1 vaccines** – and related reporting requirements – for all direct-care personnel. Although this requirement was rescinded last year, many agencies have already expended money and time on obtaining vaccines for their staff in order to meet a then-existing compliance deadline. The state Department of Health has indicated that this requirement will reemerge later this year.
- **A new Home Care Registry** which further imposes new and costly administrative obligations for agencies that must access the registry to verify the credentials of home health staff as well as enter information into the registry for new aide trainees. Also, the many operational and technical problems associated with this new Registry are resulting in even higher agency costs.
- **A new Medicare assessment form** – OASIS-C – which necessitates training for staff and new computer software and, in New York State, may cause a greater dependence on nursing time and cost.

The new taxes include:

- **A gross receipts tax** that applies to **all** cash receipts for patient care services, including Medicaid, Medicare, managed care and private pay, as well as any workforce recruitment monies.
- **A tax on the payrolls of businesses (including home care) within the MTA region** – which includes New York City and the counties of Dutchess, Nassau, Putnam, Orange, Rockland, Suffolk and Westchester – that was instituted to reduce the need for increases in New York City transit fares.

*This impact is substantially higher when other home care service providers, such as LHCSAs, are included.

7

Technology investments are in peril.

Technological initiatives hold the promise of improved efficiency and quality. However, these initiatives are especially susceptible to cancellation and delays as providers face financial stress, underpayment and cuts.

Home care providers have been in the vanguard when it comes to utilizing home telehealth and other technological advances to improve the delivery of care at home. Telehealth in particular has been shown to reduce the utilization of hospital and emergency care and improve the management of chronic illnesses.

Remote monitoring units, for instance, allow clinicians to conduct virtual home health visits in between scheduled appointments. Using video links, direct-care personnel can examine a patient from afar, detecting visual signs, captured on a video screen, of a deteriorating health condition or other changes. Clinicians can also remotely collect information on a patient's weight, pulse, blood pressure and other vital signs.

A sudden gain in weight, spike in blood pressure, or sign of breathing difficulty captured by a remote-monitoring system can prompt immediate action and reduce the chances of a patient being needlessly hospitalized.

While the collection of vital signs is a standard part of the in-home patient examination, technology extends the clinical encounter beyond the face-to-face visit and increases the potential opportunities for intervention. It also encourages patients to take control of their disease management by educating them about the relationship between the choices they make and the results captured by their in-home monitoring device.

Unfortunately, the use of technology varies among providers, and without government support many agencies have not been able to bring life-saving and cost-saving technology to their patients. Further funding reductions will prevent some agencies from utilizing technology for the first time while stymieing others from further advancing innovative uses of technology today that may become standardized best-practices of tomorrow, as indicated by the following survey findings (Figure 12):

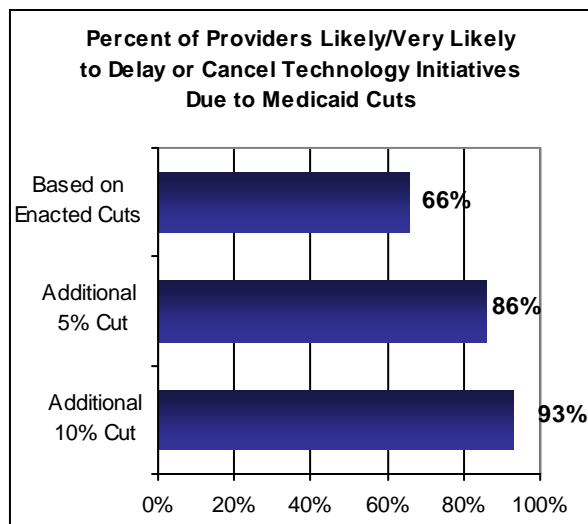


Figure 12

- In response to cuts enacted in 2009, **two-thirds of agencies indicated that they are “likely” or “very likely” to delay or cancel technology initiatives.**
- Under an additional 5-percent cut, 86 percent of agencies will have to delay technology investments, as will 93 percent of agencies under an additional 10-percent cut.

8

Quality of care enhancements most likely to be affected.

Staff education is important for quality care and to comply with new mandates and regulations. However, this area is most likely to be affected as programs and agencies are forced to respond to cuts.

Keeping staff educated on changes in technology, best-practices for managing chronic illnesses, leading-edge advances to improve clinical outcomes, new regulatory compliance requirements, patient safety and privacy guidelines, and other areas is vital to maintaining and enhancing the delivery of home care. Educational programming is a necessity in an environment where providers and their staff are required by state and federal authorities to comply with numerous unfunded mandates, including New York's Home Care Registry; changes in the Outcome and Assessment Information Set (OASIS) assessment form; federal and state audits and recovery efforts; new requirements such as the federal "Red Flag" and breach of information rules; and billing changes that stem from the expiration of the TPL Demonstration Project.

This education requires a substantial financial commitment by home care providers. However, such investment is usually the first line of business to get cut when agencies face reimbursement reductions. In fact, **91 percent of agencies surveyed intend to reduce external education as a result of 2009 enacted cuts; under an additional 10-percent cut, that figure jumps to 100 percent.**

Conclusion

Cuts to home care services run counter to the state's policy goals of serving patients in the least restrictive setting, ensuring access to services that best suit a patient's needs, and reducing overall health care costs.

These cuts are also avoidable, as the home care community has offered alternative constructive proposals in place of further draconian cuts.

These proposals would save Medicaid dollars while protecting vital services. They also demonstrate the home care community's active commitment to improving the efficiency of the home care delivery system. Governor Paterson's proposed 2010-11 State Budget has embraced some of these proposals; however, with \$155 million in new proposed cuts, much more work must be done to substitute the depth of these across-the-board reductions with sensible, responsible, policy-oriented alternatives.

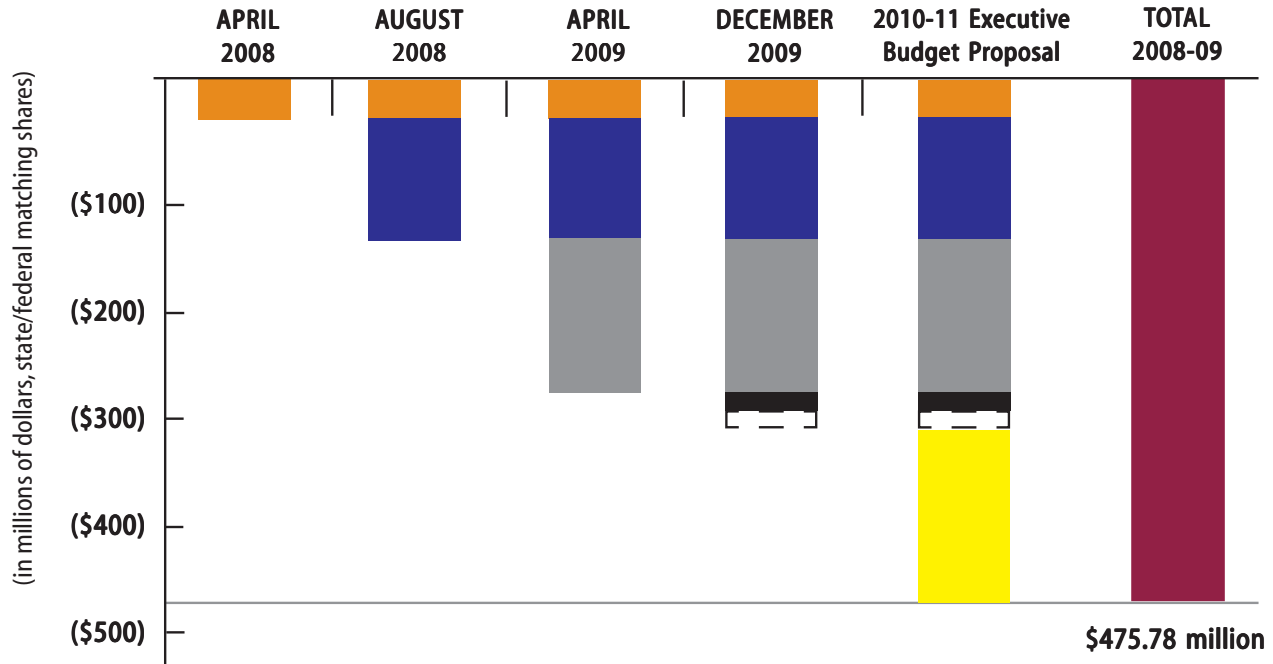
HCA and NYAHSa's fiscal analysis reveals the consequences of our state's present course. That

course, even barring additional cuts, is patently unsustainable, especially in an environment of severe existing financial instability and the continued onslaught of new unfunded mandates, taxes and other pressures on the delivery of vital life-sustaining and life-enhancing services.

Home care provider agencies – **two-thirds of which are now operating in the red** – have yet to experience the full impact of cuts adopted thus far legislatively, given that the reduced 2009 Medicaid rates are applied retrospectively and were not yet promulgated at the time of HCA and NYAHSa's provider survey. With these imminent reductions, chronic staffing difficulties, increasing pressure to serve patients with unmet needs, oppressive regulatory mandates, and overly aggressive governmental audits, New York's home care system is already in grave danger. Add to this millions of dollars in further proposed cuts, and the very survival of this system to keep people at home is clearly in jeopardy. ■

State Budget Medicaid Cuts and Reduction Actions to Home Care

Governor Paterson's 2010-11 Executive State Budget proposal includes approximately \$155.2 million in new state and federal share Medicaid cuts to home care. If enacted, this would bring the total to **\$475.78 million** in cuts and reduction actions since April 2008. (See chart.)



- April 2008 – Enacted 2008-09 State Budget (\$28 million, state/federal)**
 35% reduction to Trend Factor (CHHA, LTHHCP, Personal Care)
- August 2008 – Enacted Deficit Reduction Plan (\$107.5 million, state/federal)**
 1.3-percentage point reduction to 2008 Trend Factor (CHHA, LTHHCP, Personal Care); 1% premium reduction for Managed Long Term Care (MLTC) plans; Upstate workforce money cut by \$960,000
- April 2009 – Enacted 2009-10 State Budget (\$145.08 million, state/federal)**
 Elimination of remaining 2008 & 2009 Trend Factors and Trend Banking Factors (CHHA, LTHHCP, Personal Care); 0.35% Gross Receipt Tax (all home care); MLTC premium reduction; non-renewal of \$16 million Upstate workforce monies; \$5 million Medicare Maximization targets
- December 2009 – Enacted Deficit Reduction Plan (\$17.4 million, state/federal)**
 Elimination of 2010 Trend Factor for final quarter of current state fiscal year (Jan. 1 to March 31, 2010)
- December 2009 – Enacted Deficit Reduction Plan (\$22.6 million, state/federal)**
 Inclusion of HCA-developed medication pre-fill provision that will further reduce Medicaid spending, though constructively and voluntarily, by an anticipated \$2.7 million in the final quarter of the 2009-10 state fiscal year and by \$19.9 million for the 2010-11 state fiscal year
- PROPOSED 2010-11 Executive State Budget (\$155.2 million, state/federal)**
 Elimination of the Trend Factor (CHHA, LTHHCP, Personal Care); 12-hour-per-day cap on Personal Care Services; Increase in the existing home care Gross Receipts Tax – from 0.35% to 0.7%

What is Home Care?

Home care encompasses a broad spectrum of health and social services delivered at home to persons who are disabled, chronically ill or recovering from an illness or have other health-related needs that can be met in a home setting. These include the traditional core of professional nursing and home care aide services, as well as physical therapy, occupational therapy, speech therapy, medical social services and nutritional services and a host of other support services, including home telehealth care.

Patients receiving home care include: newborns and mothers eligible for maternal-infant care services; young children and adults in need of at-home therapy or advanced technology-based care and support; elderly patients who benefit from the services of a skilled nurse to help treat chronic medical conditions; patients receiving wound care following surgery; or New Yorkers with disabilities who may be homebound and require assistive services to meet activities of daily living, such as feeding, bathing, and other forms of self care. These are just some of the many varied circumstances for which elderly, medically frail and disabled patients suffering from chronic and post-acute health conditions seek care at home.

Services are reimbursed under Medicaid, Medicare and private pay; but like nursing home care, Medicaid is the primary payor.

For the purposes of this report, HCA examined two main home care provider types:

Certified Home Health Agencies (CHHAs) under Medicaid, Medicare and private coverage provide skilled nursing, therapeutic and aide-level care and support services to individuals who need post-acute and preventive health care services, usually for a limited duration. CHHA patients may also be served over the long term.

Long Term Home Health Care Programs (LTHHCPs), also known as “Nursing Homes Without Walls,” offer comprehensive, coordinated long term care at home to disabled and chronically ill persons of all ages who are medically eligible for admission to a nursing home, but who choose to remain at home.



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