Lethal Doses

How a 'perfect storm' of a half-billion dollars in new home care cuts, mixed with unprecedented mandates and prior inadequate funding levels, would wipe out vital cost-effective home care services

If adopted, Governor Paterson's deficit-reduction plan (DRP) – which calls for cutting **$184 million (state and federal matching shares) from Medicaid home care services** in the final quarter of the 2009-10 state fiscal year – would bring the total number of home care cuts to an astonishing **$464 million** since April of 2008.

> **NOTE**: Lethal Doses *is a preliminary look at a more complete home care fiscal conditions report to be imminently released by the Home Care Association of New York State (HCA) and the New York Association of Homes and Services for the Aging (NYAHSA).*

That amounts to nearly **one-half billion dollars** pried from programs which serve the elderly, persons with disabilities, and the chronically ill during a period of little more than one-and-a-half years – a particularly troubling development when one considers that home care is a cost-effective component of our health care system which allows 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 the desire of patients to remain in a setting that supports their independence and well-being – as required under the *Olmstead* (1999) Supreme Court decision.

In the fall of 2009, **The Home Care Association of New York State** (HCA) and the **New York Association of Homes and Services for the Aging** (NYAHSA) conducted a survey of our home care provider members and found that **44 percent of agencies are either "likely" or "very likely" to close if hit with an additional 5-percent cut. Fifty-four percent, meanwhile, would be "likely" or "very likely" to close under a 10-percent cut** – a percentage cut that is close to what Governor Paterson has proposed in his DRP. (See sidebar for additional "Key Findings" of our survey.)

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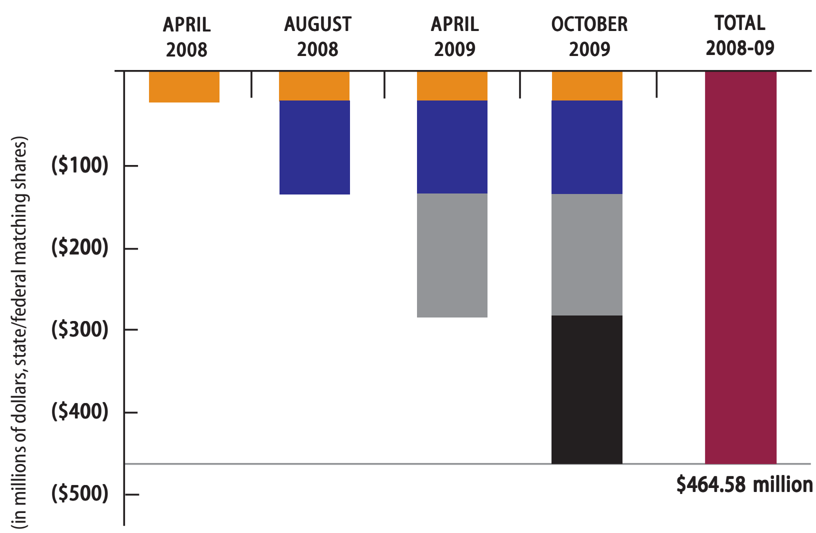
KEY FINDINGS *(HCA/NYAHSA provider survey and cost report analysis)*

2/3	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.
$64M	– estimated **cost of new unfunded mandates and taxes** on home care providers.



April 2008 – Enacted 2008-09 State Budget ($28 million, state/federal)

- 35% Reduction to Trend Factor (CHHA, LTHHCP, PC)

August 2008 – Enacted Deficit Reduction Plan ($107.5 million, state/federal)

- 1.3 percentage point reduction to 2008 Trend Factor (CHHA, LTHHCP, PC); 1% premium reduction for MLTCs; $960,000 Upstate workforce money cut

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, PC); 0.35% Gross Receipt Tax (all home care); MLTC premium reduction; non-renewal of $16 million Upstate workforce monies; $5 million Medicare Maximization targets

October 2009 – Governor's Proposed Deficit Reduction Plan ($184 million, state/federal)

- Proposed cuts to home care ($63.4 million), personal care ($71.4 million), MLTC ($38.2 million) and home nursing ($10.9 million).

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Clearly, **one-half billion dollars** in cuts alone are enough to topple New York's home care system; yet the impact is significantly more lethal when mixed with already inadequate rates of reimbursement and the unprecedented avalanche of staggering new unfunded mandates heaved on providers over the past twelve months. These new mandates have occupied precious staff and financial resources at agencies whose model of care delivery is already streamlined.

Foremost among these new mandates is the colossal redeployment of home care agency staff needed for patient care but who are now devoted to the task of fulfilling a massive state-required Medicare rebilling process. This statewide effort is costing providers **millions of dollars and tens of thousands of staff hours** to reprocess more than 30,000 prior-year Medicare claims – all because of the expiration of a federal program for fairly and efficiently determining whether Medicare or Medicaid is responsible to pay when a patient is covered by both. Such a massive new mandate comes at a time when existing staff shortages already challenge the provision of home care services to patients who desperately need them, especially in rural areas of the state.

Alongside this rebilling mandate is a legion of new costs associated with overly aggressive (in some cases, invasive) **state audit activities**, administrative and reporting obligations resulting from the implementation of a **statewide home health aide registry**, the impending reemergence of **employer-provided flu-immunization mandates**, further service cuts that may result from **a state-planned overhaul of the home care reimbursement and delivery system** – all of which create a perfect storm for wiping out home care services in New York State, especially if the Governor succeeds in extending his deficit-reduction cuts beyond the March 31 close of the state's current fiscal year.

New unfunded mandates and taxes alone are costing the HCA/NYAHSA members who responded to our survey approximately $21.5 million. When extrapolated to all New York home care providers, **that impact amounts to an estimated $64.5 million** in costs that fall outside of operational expenses devoted to the mission of providing quality patient care.

HCA/NYAHSA data analysis reveals system already staggered by prior-year cuts

Peering back to a time before this crunch of new mandates – and before the prospect of a half-billion dollars in new cuts – one finds a home care system already staggered by inadequate reimbursement, funding reductions and negative operating margins.

In addition to a provider survey, HCA and NYAHSA also conducted a statewide analysis of home care provider financial statements which found that **almost two-thirds of home care agencies reported total operating losses** due to inadequate reimbursement and rising costs in 2007, the most recent year of data available. The HCA/NYAHSA 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.

The situation is even more precarious for agencies serving chronically ill New Yorkers and/or patients who would otherwise require nursing-home admission. **The number of these providers – known as Long Term Home Health Care Programs (LTHHCPs) – that experienced negative operating margins increased by 65 percent from 2004 to 2007**, according to the HCA/NYAHSA study.

Our analysis uncovered a particularly stark reality for home care service access in rural areas, where a shocking **75 percent of county-operated 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 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, Governor Paterson's proposed home care cuts, if enacted, are certain to wipe out services in large stretches of rural New York.

While the state's fiscal challenges demand attention, 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. ■

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