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HCA Testifies at Joint Legislative Budget Hearing To Urge Restoration of \$100 Million in Proposed Home Health Care Cuts

*New HANYS/Siena Research Institute Poll:
76% of New Yorkers Want Increased Funding for home health care*

In written testimony offered today to the Senate Finance and Assembly Ways and Means Committees, the Home Care Association of New York State (HCA) said the \$100 million in home health care cuts contained in the 2008-09 Executive State Budget “will undermine the State’s progress in health care reform, the stability of our agencies and, most importantly, our ability to provide appropriate patient care.”

Today’s testimony, presented by Victoria Hines, President and CEO of Visiting Nurse Service (VNS) of Rochester and Monroe County, and First-Vice Chair of HCA’s Board of Directors, falls on the heels of a new HANYS/Siena Research Institute poll which found that **76 percent of New Yorkers want increased funding for home health care while only 3 percent support decreased funding, and 18 percent support keeping home health care funding at current levels.**

Speaking on behalf of HCA, Hines called for rejection of the Governor’s proposed home health care cuts that include slashed reimbursement rates to providers. These rates are based on 2005 data that fail to keep pace with current costs of providing home health care services. Since home health care services are provided in homes, not in hospitals or nursing homes, providers have been hit hard in recent years with growing personnel and recruitment expenditures, a surge in gas prices and increasingly complex patient care and case management needs.

“In order to appreciate the impact of the Governor’s cuts, it is important to understand the enormous and growing financial pressures under which home health care is operating,” Hines told the committee.

“These pressures stem from the high costs of staff recruitment and retention, mounting gasoline costs, costs associated with the shift from institutional to community-based care, enrollment of patients with more extensive health care needs and the increasing movement of patients from fee-for-service coverage into managed care.”

Describing patient care activities at her agency, VNS of Rochester and Monroe County, Hines said: “More than half of VNS’ service is provided to Medicaid patients. Our mission-driven purpose means we take all patients with need. But the Medicaid system, which does not reimburse to cost, allows no room for investment. When

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reimbursement is capped and trend factors do not keep up with inflation, we have a losing business proposition. Given these proposed cuts, on top of existing fiscal pressures, some agencies will choose to stop serving Medicaid patients, and some agencies will have to get out of the home care business altogether.”

Earlier this month, HCA sent a letter to Governor Spitzer (attached) calling for his retraction of the \$100 million in home care cuts during the 21-day amendment period, including his proposed:

- **\$20 million reduction** of the Medicaid trend factor;
- **\$50 million in cuts** through limits on reimbursable operations expenditures (much of which directly impact patient care, such as case management activities), reductions in individual service rates, and a freeze in the home care reimbursement base year at 2005 levels;
- A **\$16 million decrease** in premium rate adjustments for managed long term care plans; and
- **Omission of \$16 million** in investments for home care infrastructure outside of New York City.

“Taken together, all of these actions will cut into the bone of home care reimbursement – this at a time when further investment, not reduction, is desperately needed,” Hines told the committee. “We know that the Governor has been a past advocate of home health care and believe that the Executive’s proposals are made in the sincere attempt to contain Medicaid spending for the State. However, the proposals are misguided and will deal a severe blow to a sector that the patients and system are depending on more than ever.”

HCA also today voiced support for several Budget proposals, including: continuation of the Statewide Workforce Investment essential for the recruitment and retention of home health care staff, funding for home telehealth and health information technology demonstration programs, and reimbursement to providers for costs associated with meeting Criminal History Record Check mandates.

“While there are a few reasons for encouragement in the Executive Budget, the vast majority of its home care proposals will have a devastating impact on providers’ ability to function in a way that is most conducive to quality patient care,” said HCA President Joanne Cunningham.

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*Committed to the principles of high-quality and cost-effective community based health care, the **Home Care Association of New York State** (HCA) assists its members on state and federal legislation, regulations and reimbursement issues pertinent to the home health field. As the premier home health care association in New York State, HCA represents more than 400 home health care providers, individuals and associate members who collectively provide service and support to thousands of New Yorkers.*



January 29, 2008

The Honorable Eliot Spitzer
Governor, State of New York
Executive Chamber
State Capitol
Albany, New York 12224

Dear Governor Spitzer:

On behalf of the Home Care Association of New York State (HCA) – 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 – I write during this 21-day amendment period to respectfully request your reconsideration and retraction of the proposed cuts to home care contained in your initial 2008-09 State Budget proposal. These cuts are devastating to the very home care system for which you so strongly advocated in your first year in office.

The home care cuts contained in your Executive Budget proposal, amounting to over \$100 million in State and Federal shares, for which we ask your reconsideration include:

- Reduction of the 2008 Medicaid trend factor for Certified Home Health Agencies (CHHAs), Long Term Home Health Care Programs (LTHHCPs) and personal care providers, for a combined cut of \$20 million.
- Methodological changes in reimbursement that will cut home care funding by an additional \$50 million (a DOB projection which HCA believes is greatly understated). These changes include a cut in the Administrative and General cost allocation for CHHAs and LTHHCPs, significant portions of which are actually attributable to patient care-related services, such as case management, outreach and assessment, as well as for agency infrastructure investment such as technology and improved fraud/integrity initiatives. The changes also include cuts in the individual service rates, which will lower many agencies' reimbursement rates by 10%, as well as a freeze in the home care reimbursement base year at 2005 levels (which will preclude agencies from recovering justifiable costs from future service years).
- A decrease in the premium rate adjustments for managed long term care plans (by \$16 million), as well as for Family Health Plus plans and Medicaid managed care plans in an amount that DOH projects will cut reimbursement for services by a combined \$46 million.
- Omission of the \$16 million investment for the home care infrastructure outside of New York City for the April 1, 2008 through March 31, 2009 period. This investment has been provided for the past two fiscal years and is now an essential part of the rural/upstate home care reimbursement base.

In addition to these new cuts, the proposed 2008-09 State Budget continues prior year Medicaid cost-containment actions affecting home care, and fails to include the reappropriation of certain essential funding items

from last year's Budget. These include a reappropriation of the 2007 funds (\$50 million State share and \$100 million in combined State/Federal shares) for statewide home care workforce investment, as well as a reappropriation of 2007 funds (\$8 million State and \$16 million in combined State/Federal shares) for home care infrastructure funding for non-NYC areas. Since the distribution of funds from both of these 2007 initiatives has been held up at CMS since last summer, reappropriations are necessary to ensure that the distribution can still take place once the current fiscal year spending authority has lapsed.

To provide further background, I have enclosed a copy of our January letter to you describing HCA's Budget recommendations for 2008. The letter describes and underscores the home care system's essential support needs over the coming year. These needs continue to increase as a result of the reconfiguration of the institutional health care sector, the growing patient demand for care at home in general, additional State policy directives shifting the emphasis to community-based care, and the need to invest in home care capacity, quality and integrity.

We respectfully ask your reconsideration and support for these vital funds in the 2008-09 State Budget. 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.

HCA looks forward to working with you and the State Legislature as the budget process continues, and urges the removal of these devastating proposals from your Executive Budget. We know you have been a past advocate of home care and believe that your proposals are made in the sincere attempt to contain Medicaid spending for the State. However, the proposals are misguided and will deal a severe blow to a sector where further investment, not reduction, is desperately needed in support of existing policy directions, system changes, and, most importantly, quality patient care.

Thank you for your consideration.

Respectfully submitted,



Joanne Cunningham
President

Enclosure

cc: The Honorable Senator Joseph L. Bruno, Majority Leader, NYS Senate
The Honorable Sheldon Silver, Speaker of the NYS Assembly
The Honorable Malcolm Smith, Minority Leader, NYS Senate
The Honorable James Tedisco, Minority Leader, NYS Assembly
The Honorable Owen Johnson, Chairman, NYS Senate Finance Committee
The Honorable Kemp Hannon, Chairman, NYS Senate Health Committee
The Honorable Herman Farrell, Chairman, NYS Assembly Ways and Means
The Honorable Richard Gottfried, Chairman, NYS Assembly Health Committee
The Honorable Richard Daines, M.D., NYS Commissioner of Health
The Honorable Laura Anglin, Director of the Budget