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FOR IMMEDIATE RELEASE

Hawaii Home Health Medicare Margins on Steep Decline **Hawaii is one of 10 states where payments will be below cost,** **and second biggest “loser” in the nation**

Honolulu, HI – By 2017, Hawaii is facing Medicare Home Healthcare payment at least 11.7% below cost, and up to 27.8% below cost if proposed rebasing takes effect. Even without rebasing, Hawaii will be one of 10 states where Medicare Home Healthcare payments are below cost.

The Healthcare Association of Hawaii, in coordination with the Partnership for Quality Home Healthcare, today released data demonstrating that the rebasing of Medicare home health payments within the proposed Home Health Prospective Payment System (HHPPS) rule for 2014 will negatively impact Hawaii’s home health sector and the nearly 3,000 vulnerable Medicare beneficiaries receiving home health by driving Medicare margins to an all-time low. Leaders are urging regulators to carefully consider the home health sector’s current-law economics when implementing this policy.

“Home healthcare is a valuable and clinically-effective healthcare service to the seniors of Hawaii, who will be put at risk if home healthcare is subjected to more Medicare funding cuts,” said George W. Greene, Esq., President & CEO of the Healthcare Association of Hawaii (HAH). “Our community has been impacted by significant cuts in the last four years, which data show will put Hawaii home health Medicare margins on track to reach an all-time low.”

“Home health services are crucial in providing a smooth transition from hospitalization to home,” added Emilie L. Smith, Administrator of CareResource Hawaii and HAH Board Chair. “Services can be delivered in a more cost-effective manner in the comfort of home. With continued cuts, many home health agencies, particularly on the neighbor islands, will find it difficult to keep their doors open. This may result in increased rehospitalizations.”

Under the Affordable Care Act (ACA), the Centers for Medicare & Medicaid Services (CMS) is directed to rebase home health payments between 2014 and 2017 by a percentage determined appropriate by the Secretary. This percentage is to be implemented in equal increments during each year from 2014 through 2017.

Analyses developed with the support of Dobson DaVanzo and Associates and Avalere Health indicate that the current trajectory of Medicare home health reimbursement is on track to produce negative margins by 2017 in 10 states, including Hawaii, even if home health payments are not subjected to further legislative and regulatory reductions. Under this ‘best case’ scenario, using the Medicare Payment Advisory Commission (MedPAC) methodology for calculating margins (which has been found to exclude many costs that home health agencies routinely bear), Hawaii’s Medicare home health margin will fall to **-11.7 percent** by 2017.

This decline is due to the impact of an estimated total of \$72.5 billion in Medicare home health payment cuts – equivalent to a 22 percent reduction – made since 2009 through legislative and regulatory changes.

The analyses illustrate the impact of cuts projected under multiple rebasing scenarios for the state of Hawaii, including: -0.5 percent rebasing, -1.2 percent rebasing and -3.5 percent rebasing annually from 2014 to 2017:

- Even without rebasing, Hawaii’s Medicare home health payments will be 11.7% below cost.
- If payments are rebased at 0.5 percent per year, Hawaii’s Medicare home health payments will be 15.1% below cost. [national average 2.7 percent above cost; 18 states would have negative Medicare home health margins]
- If payments are rebased at 1.2 percent per year, Hawaii’s Medicare home health payments will be 16.4% below cost. [national average at cost; 19 states would have negative Medicare home health margins]
- If payments are rebased to the statutory maximum of 3.5 percent per year, the national average Medicare margin would go negative beginning in 2015 and plummet to -11.4 percent in 2017, with every state in the nation projected to experience negative Medicare margins. **Hawaii’s loss would be the second biggest in the nation, at 27.8% below cost.**

“We urge decision-makers to consider the economics we are already operating in before further reducing needed Medicare funding. Instead of more cuts, we urge lawmakers to embrace pro-patient solutions that better ensure beneficiary access to clinically advanced, cost-effective, patient preferred home healthcare services for all seniors,” added Eric Berger, CEO of the Partnership for Quality Home Healthcare.

Across Hawaii, approximately 2,950 Medicare beneficiaries receive skilled home healthcare from home health agencies employing more than 2,700 home health professionals.

For a list of projected losses by state and fact sheets about Medicare Rebasing and Home Healthcare, visit www.HAH.org

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