

# HOMEfront

## Another Change in How Medicare Pays for Home Health Care Prospective Payment System Takes Effect October 1

**T**he Balanced Budget Act of 1997 changed the way home health agencies are reimbursed for the care they deliver to Medicare beneficiaries. Until 1997, agencies were paid their actual cost to deliver care up to certain limits. The problem with this system was that some providers operated inefficiently or delivered more service than was appropriate because there was no incentive to be conservative. While this was not characteristic of home care agencies in New Hampshire or in many parts of the country, Congress and the Health Care Financing Administration (HCFA), which administers Medicare, believed that costs could only be controlled with a drastic change in the way they pay for care.

The answer was a mandate by Congress that a Prospective Payment System (PPS) be implemented for home health by October 1, 2000. While HCFA developed this new system, an Interim Payment System was put in place to cap spending on home care. As we have reported in prior issues of *HOMEfront*, the effects of the interim system have far exceeded the intent: the estimate from the Congressional Budget Office sets the expected reduction now at over \$69 billion over 5 years (1997-2002), over four times the original target of \$16 billion. (See related article at right.)

Fortunately, the Prospective Payment System appears to be a far more reasonable reimbursement structure. Agencies will be paid for episodes of care, defined as a 60 day period of care,

and payments will be tied to the individual client's situation. However, this new transition is not without its own challenges for providers. For example, the specific payment level is determined from a lengthy assessment tool called OASIS. Since PPS goes into effect on October 1 for every new *and* current patient, every existing client must be reassessed during September so that their payment rate can be determined. Physicians will also have to specifically authorize the care provided before October 1, as well as that delivered after October 1. This means many extra visits for home care nurses and more paperwork.

The biggest concern for providers had been cash flow—would Medicare be able to have the needed computer system

changes done in time to process payments under the new system? The design of the PPS system appears to allow for adequate cash flow for providers, but it remains to be seen if the technical systems will be ready. The situation is similar to the Y2K concerns at the turn of the century last year. HCFA is working on contingency plans to pay providers in case their computer systems aren't in place on October 1.

While all of this has raised the anxiety level of many home care administrators and has added a tremendous workload to the already full schedules of home care nurses and managers, patients should notice no change in their services.

### New Medicare Data on Home Health

**T**he Health Care Financing Administration (HCFA), which administers the Medicare program, has released preliminary data on home health services delivered in 1999. The numbers reinforce concerns about any future trimming of the Medicare home health benefit. The National Association for Home Care has highlighted the following statistics:

- From calendar year 1997 to 1999, the number of beneficiaries served dropped by nearly one million, from 3.5 million to 2.6 million, or by close to 25%;
- Total outlays for the same period dropped from \$16.7 billion to \$7.7 billion, or nearly 54%; and
- Between calendar year 1997 and 1999, home health claims dropped by almost 50%, and the average payment per patient dropped by 38.5%.

#### How has New Hampshire fared?

In 1997, 18,358 NH residents received Medicare home care services; by 1999 the number dropped to 13,503.

In 1997, Medicare spent \$63.8 million on home care in NH; in 1999, \$32.3 million.

In 1997, the average reimbursement per person was \$3,440; in 1999, \$2,394.

A Publication of



## Home Health Aides Honored at NH Nursing Assistant Day 2000

*Elaine Bienvenue*, Home Health & Hospice Care  
*Michelle Bridges*, Androscoggin Valley Hospital  
*Sue Caikauskas*, Interim HealthCare

*Darlene Toomey*, Pemi-Baker Home Health Agency  
*Kayla Tyler*, VNA of Manchester and So. NH-Hospice Dept.  
*Joan Vallis*, Androscoggin Valley Home Care Services



*Over 160 family and friends joined the 85 aides honored at the event.*

*Pete Ceplon*, Concord Regional VNA  
*Lucy Fortin*, VNA of Franklin  
*Mary Gelinis*, Quality Care Partners, Inc.  
*Sheila Grad*, Meredith Public Health Nursing Association  
*Ruth Hooper*, VNA/Hospice of Southern Carroll County & Vicinity  
*Janice Knowles*, Visiting Nurse Service  
*Cindy Lovering*, Community Health & Hospice  
*Kathleen Mains*, Squamscott Visiting Nurse & Hospice Care  
*Joanne Mascioli*, Portsmouth/Derry/Salem Home Health & Hospice Services  
*Rebecca Nelson*, Visiting Nurse Alliance of VT and NH  
*Joanne Phelps*, Lake Sunapee Region VNA & Affiliates  
*Katie Prentiss*, Living Innovations Home Care, Inc.  
*Sue Rano*, Androscoggin Valley Hospital  
*Darleen Ross*, North Country Home Health & Hospice  
*Audrey Russell*, Carroll County Health & Home Care Services  
*Ollegra Sterling*, HealthForce  
*Laraine Strobel*, Connecticut Valley Home Care

*Joy Ward*, Weeks Medical Center - Home Health Services  
*Christine Webster*, Havenwood-Heritage Heights Retirement Community  
*Ann Werden*, Home Healthcare Hospice & Community Services  
*Katherine Whalen*, Healthy At Home, Inc.  
*Sheila Whalen*, Homemakers of Strafford County

*Health Care Humorist Carol O'Flaherty entertains the audience.*



## Home Care Nursing Assistant of the Year Award

### Berlin Home Health Aide Receives Special Award

**W**ithout nursing assistants, thousands of people, young and old, would not be able to remain in the comfort of their own homes. They provide far more than a bath, a meal, a clean and safe house. They offer a caring relationship, a smile, a chuckle, sometimes a shoulder to cry on or a non-judgmental ear to hear their opinions and concerns.

In recognition of the contribution of nursing assistants, Governor Shaheen proclaimed June 6, 2000 New Hampshire Nursing Assistant Day. To celebrate, five state associations representing home care, nursing homes, hospitals and residential care held a special event on the State House lawn that day.

Over 250 people

crammed the tent to hear the Governor open the program with an expression of appreciation for the dedication and quality care offered by nursing assistants. The Governor acknowledged two home health aides in particular whose stories had been featured in a *Manchester Union Leader* story that day. Certificates and “excellence in caregiving” pins were given by Senator James Squires to

all those nominated. (See opposite page)

Each of the sponsoring associations selected one nominee to receive special recognition. The Home Care Association selected Joan Vallis of Androscoggin Valley Home Care Services in Berlin as the Home Care Nursing Assistant of the Year. Joan has been working as a caregiver for

40 years in many settings—nursing homes, hospital, and home care. In nominating her for the award, her supervisor



*Home Health Aide of the Year Joan Vallis (left) receives the award from HCANH President Linda Hotchkiss (center). Androscoggin Valley Home Care Supervisor Margot Sullivan (right) nominated Vallis for the award.*

wrote:

“Joan brings life experience to her home care clients, never forgetting how vulnerable they are, how much their privacy and routines mean to them. She speaks French to those who are French, she makes little jokes with those who like to laugh, she is quiet with those who need silence.” Joan says her secret for caring for people is simple: “you need to have patience and be kind.”

Every nomination sent in by home care agencies told the story of what being a care provider means. Many quoted from co-workers and clients,



*Tom Bunnell, the Governor's Health Care aide, reads the proclamation for NH Nursing Assistant Day.*



*Governor Shaheen thanks the aides for their commitment to quality caregiving.*

who over and over said “this person goes the extra mile” for those she or he cares for and for the agency as well. Clients often said, “I don't know what I'd do without my aide!”

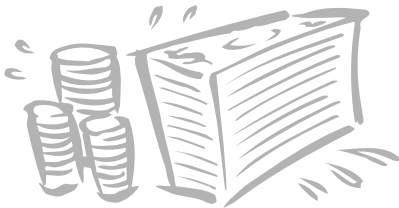
## Congress Considers Further Medicare Refinements

### More Change to PPS System Is Needed

**A**lthough it appears the PPS system will be a huge improvement over the interim payment system, there remain concerns about Medicare reimbursement policies.

The most critical issue is the requirement that another 15% be cut from home health payments on October 1, 2001. The New Hampshire delegation has signed on to legislation to eliminate this further cut. Other bills have been filed to address additional concerns. Granite State Home Health Association has endorsed legislation recently filed by Reps. John Peterson (R-PA), Earl Hilliard (D-AL), James McGovern (D-MA), and William Jefferson (D-LA). The key components of the bill are:

- **Elimination of the additional 15% cut in home health spending mandated by the BBA effective October 1, 2001.** This further cut was originally included in the BBA because it was thought that the interim payment system would not save enough money. As explained on page 1, the savings have actually exceeded targets four times over.



- **Addition of 10% to the episodic base payment under PPS for patients in rural areas.** In many rural areas, it has been shown that it costs significantly more to serve homebound persons. This hike in reimbursement would specifically help rural agencies.
- **Provision of additional funding for "outliers" under the new prospective payment system.** Outliers are cases in which the patient requires very intensive and expensive care, such that the costs far exceed the payment for the care. Under the

new reimbursement system taking effect in October, there is some additional payment for these cases, but the agency is still expected to incur a substantial loss. A change is sought to reduce the level of loss for agencies that serve these high need patients.

- **Exclusion of non-routine medical supplies from the PPS base payment, and establish payment for these supplies on a fee schedule.** While home health agencies have always covered the costs of routine medical supplies like dressings,

many items considered "non-routine" have been paid for separately by Medicare. Now the supplies will become the responsibility of the home health agency, and cannot be billed separately to Medicare. The problem for providers, particularly small agencies, is that they cannot predict the amount of supplies they will need, since it varies with each patient. A fairer method is for Medicare to reimburse agencies separately for medical supplies. (*This provision would be budget neutral.*)

- **Allow home health agencies to include telehomecare services on their cost reports.** Tele-homecare is the use of monitoring equipment in the home, like video or other electronic devices, which can reduce the number of nursing visits to a patient. Such methods are becoming more common in medicine, particularly in the home setting, but are not recognized in the Medicare home health benefit. Allowing agencies to include these services on their annual reports to Medicare will permit more accurate analysis in the future of what it costs to care for patients in the home. This change would not involve any additional Medicare outlays.

*The Home Care Association of New Hampshire (HCANH) is a membership organization which enhances the ability of agencies providing home health care to deliver quality services to New Hampshire residents. The Association carries out this mission through education, networking, research, leadership, and public policy information. With 38 member agencies, HCANH is the only association of home health providers in the state and a member of the National Association for Home Care.*

*HCANH is your resource for information about home health services, providers and issues. Call us at 1-800-639-1949, Monday-Friday, 8:30 a.m. - 5:00 p.m.*



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