

# United States Senate

WASHINGTON, DC 20510

September 18, 2006

The Honorable Charles E. Grassley, Chairman  
The Honorable Max Baucus, Ranking Member  
Senate Committee On Finance  
219 Dirksen Senate Office Building  
Washington, D.C. 20510

Dear Senators Grassley and Baucus:

Home health and hospice have become increasingly important parts of our health care system. The kinds of highly skilled and often technically complex services that our nation's home health and hospice agencies provide have enabled millions of our most frail and vulnerable older persons to avoid hospitals and nursing homes and stay just where they want to be – in the comfort and security of their own homes. We therefore urge you to ensure that Medicare beneficiaries continue to have access to important home health and hospice services by supporting a full market basket inflation adjustment beginning January 1, 2007.

The Administration's FY 2007 budget includes a proposal to freeze the Medicare home health market basket index for the second straight year (calendar year 2007), with subsequent market basket reductions of 0.4 percent in 2008 and 2009. This would result in a \$3.5 billion cut in home health payments over five years. The Administration also proposes to cut the market basket updates for hospice by 0.4 percent in 2007, 2008 and 2009 – reducing hospice payments by \$550 million over five years.

These cuts would come on top of ten years of substantial reductions in Medicare home health spending. Provisions in the Balanced Budget Act of 1997 (BBA) resulted in a 50 percent cut in Medicare home health spending by 2001 – far more than Congress intended or the Congressional Budget Office (CBO) projected. Home health as a share of Medicare spending has dropped from 8.7 percent in 1997 to 3.8 percent today, and is projected to decline to 2.6 percent of Medicare spending by 2015.

We believe that further reducing payments for home health care would be counterproductive to controlling overall health care costs. Home care has been demonstrated to be a cost-effective alternative to institutional care in both the Medicare and Medicaid programs. In fact, the Medicare Payment Advisory Commission (MedPAC) recently noted the results of a 2002 RAND study which showed “that in terms of Part A costs, episodes in an inpatient rehabilitation facility or skilled nursing facility are much more costly for Medicare than episodes of care among patients going home.” (*MedPAC's June 2005 Report to Congress*).

Further reducing Medicare home health care expenditures would also be in direct conflict with the Administration's desire to prioritize health care in the home as a cost-effective

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alternative to institutional care. During the World Health Congress in February of last year, Secretary Leavitt said: "Providing the care that lets people live at home if they want is less expensive than providing nursing home care. It frees up resources that can help other people. And obviously, many people are happier living at home."

Given home health agencies' rising transportation costs, the use of new and more costly technology and telehealth, and ever-increasing costs for skilled nurses and therapists, a home health payment freeze in 2007 would place the quality of home health services and the home care delivery system itself at significant risk. It would also exacerbate the already serious problem of recruiting and retaining registered nurses, therapists and home health aides and could leave home health providers no alternative but to reduce the number of visits and/or patient admissions, which would ultimately affect access to care and clinical outcomes. In addition to these costs, hospices are also experiencing rising costs for pain management pharmaceuticals, and finding that patients with shorter lengths of stay are requiring more intensive services.

In order to ensure that home health care and hospice remain a viable option for Medicare patients, we urge you to stand by the current position in the Senate-passed budget resolution when the Committee considers issues related to the Medicare program and reject any efforts to reduce the market basket inflation update for home health and hospice benefit payment rates. Thank you for your consideration of this important matter.

Sincerely,

Susan Collins

Mur Feigell

Art Bond

Jack Reed

Jim Jeffords

Robert Menendez

Paul D. Sarbanes

Rakesh A. Mehrotra

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