

Home Health Leaders Warn Against Massive Cuts to Home Healthcare Expected In 2024 Payment Rule

Medicare cuts will have devastating, long-term repercussions on access to care for patients

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The home healthcare community is asking Congress to stop massive cuts to reimbursement for home health services, which are expected to be announced in mid-Summer by the Centers for Medicare & Medicaid Services (CMS) in its yearly proposed payment rule. For 2023, CMS finalized calculations to impose a **permanent 7.85%** cut to Medicare home health payments. **CMS however acknowledged that the full 7.85% cut would create "hardship" for providers**, so the agency opted to execute half of the reduction – 3.925% – for the current year. Even with half of the expected cut implemented this year, home healthcare access is already showing signs of distress.

A major red flag is the referral rejection rate, which is the rate at which a home health agency -- due to workforce shortages or capacity constraints -- rejects a referral from a hospital for post-acute home healthcare. Alarming, the referral rejection rate for home health increased from 49% in 2020 to 71% in 2022. This means that fewer Medicare beneficiaries are able to access home health services, and hospitals are not able to smoothly transition patients to more appropriate care settings that are preferred by beneficiaries and less costly for Medicare. Further reimbursement reductions will compound these access problems, leading to more costly care and worse outcomes for patients.

Despite these signs of distress in access, the home healthcare community is bracing for the full 7.85% cut to be imposed on providers in January 2024. In addition, CMS has signaled it will announce additional "claw back" cuts that will further reduce reimbursement for home healthcare services. These claw backs are estimated to amount to **at least \$3.5 billion in additional cuts**, further reducing payments to amounts that are lower than what even CMS views as appropriate for years to come. Cuts of this magnitude will threaten the ability of 3.2 million Medicare beneficiaries to receive life-saving clinical care in the home each year.

What's important to know about these cuts to Home Healthcare?

- The **7.85% permanent cut** equates to **more than \$1 billion in cuts annually** starting in 2024 and continuing in perpetuity. The overall spending for the home health benefit is only \$17 billion annually. This will result in **devastating, long-term repercussions** for home health patients and their providers.
- These cuts will total **more than \$18 billion over the next ten years** – even more than what CMS originally proposed.
- **In 2024, it is estimated that more than half of Medicare-certified home health agencies** will be operating with negative margins as a result of these cuts.
- CMS finalized these cuts last year despite **strong opposition** from patients, providers, and lawmakers.

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- Medicare Payment Advisory Commission (MedPAC) data show the immediate damage to home healthcare providers: with just the 2023 cuts in place, MedPAC estimates that Medicare FFS operating margins will drop by 7 percentage points, and overall payer margins will drop to the low single digits. With the upcoming full rate reduction, the average overall margin will fall below zero, threatening access to home healthcare services, especially in rural and hard-to-reach communities.
- Medicare providers and the elderly, disabled, and chronically ill patients they serve rely on Medicare FFS payments to cover the costs of care – FFS Medicare margins offset below-cost payment rates for Medicare-covered home health services provided to Medicare Advantage enrollees and Medicaid beneficiaries. While this subsidization is not optimal it has worked to ensure that all Medicare and Medicaid beneficiaries are able to access care by quality home healthcare providers.
- CMS ignored data and recommendations from home health leaders warning that the agency's **methodology for justifying these cuts is deeply flawed and in violation of CMS' statutory authority.**
- **For two rulemaking cycles, CMS has refused** to alter its approach for calculating budget neutrality under the 2018 Bipartisan Budget Act and instead has continued with a methodology that inflicts significant disruption and uncertainty on the vital home health benefit.
- Home healthcare is broadly preferred by Medicare beneficiaries, helping patients avoid hospital visits and nursing home stays.

CONGRESS: Tell CMS to Stop Additional Cuts to Home Health in 2024