

# Support S. 2137/H.R. 5159 to Save the Medicare Home Health Program

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**The home health community is seeking support for legislation to curb dire cuts to Medicare home healthcare services.** The Preserving Access to Home Health Act of 2023 (S.2137/H.R. 5159), introduced by Senators Debbie Stabenow (D-MI) and Susan Collins (R-ME) and Representatives Terri Sewell (AL-7) and Adrian Smith (NE-3), would safeguard access to essential home-based, clinically advanced healthcare services for America's older adults and people living with disabilities by preventing the Centers for Medicare & Medicaid Services (CMS) from implementing devastating cuts. Passage of this legislation is imperative to ensure the continued functioning of the Medicare Home Health Program.

## What does the legislation do?

- 1. Stops CMS from imposing certain permanent and temporary payment cuts.** In 2020, CMS updated the Medicare Home Health payment system. The new system – the Patient-Driven Groupings Model (PDGM) – is supposed to be budget neutral compared to the old system. Congress charged CMS with ensuring budget neutrality, and gave the agency authority to permanently and temporarily change payment rates to account for provider behavioral changes associated with the new system. Despite stakeholder input, the agency's interpretation of its budget neutrality mandate has unfortunately led to significant reductions in payment, essentially resetting base payment rates at much lower, unsustainable levels, which will deepen in future years. **The bill repeals CMS's authority to make these permanent and temporary payment cuts based on its misguided budget neutrality methodology.**
- 2. Instructs MedPAC to analyze the Medicare Home Health Program.** Under current law, the Medicare Payment Advisory Commission (MedPAC) is allowed to review the effect of Medicare payment policies on the delivery of healthcare services outside of Medicare. This provision would require MedPAC to report on aggregate trends under Medicare Advantage, Medicaid, and other payers, and consider the impact of **all payers** on access to care for the Medicare population. It also requires MedPAC to be transparent in its calculations, and it updates the Commission's Medicare home health cost reports to include data on visit utilization and total payments by program.

## Saving Medicare Home Health is Vitally Necessary

- Congress must prevent CMS from implementing deep -9.36% (which was increased from -7.85% in the CY2024 HH Proposed Rule) cuts to the Medicare Home Health Program **(more than \$1 billion in annual cuts)**.
- CBO predicts alarming drops in program spending. In 2019, spending for the program was \$18 billion; CBO now projects Medicare Home Health spending to be \$16 billion in 2023, and \$15 billion in 2024, 2025, 2026 and 2027.
- **Home health is patient preferred.** Eighty-six percent of adults and 94% of Medicare beneficiaries say they would prefer to receive post-hospital, short-term care at home instead of in a nursing home.
- **Home health saves Medicare money.** CMS's own estimates show that through the expanded Home Health Value Based Purchasing Model (HHVBP), the Medicare Trust Fund should save nearly \$3.37 billion (over 5 years) due to avoided hospitalizations and skilled nursing placement. Further cuts to reimbursement risk these savings to the Medicare program.
- **Hospitals can discharge patients sooner when home healthcare is available.** The referral rejection rate has increased significantly (from 49% in 2020 to 71% in 2022). That means hospital lengths of stay are increasing and patients are not able to move easily from hospital to home.

## What Is Important to Know about CMS Cuts to Home Healthcare

**The New Home Health Payment System:** In 2018, Congress directed CMS to change the Medicare home health payment system beginning in 2020. In doing so, Congress required the new payment system be budget neutral compared to the old system, intending that post-2020 payments should be as if the new system had not been enacted. To achieve budget neutrality, CMS was authorized to make certain payment adjustments on both permanent and temporary basis that allowed for a reconciliation of assumed behavior changes and actual behavior changes.

**Cuts to Home Health are Massive:** In November 2022, CMS finalized a flawed methodological approach for calculating the impact of provider behavior under PDGM, which resulted in a permanent -7.85% cut to Medicare home health payments. Based on the same methodology, CMS planned to implement at least \$3.5 billion in temporary “claw back” cuts to home health payments. In the CY 2024 Proposed Rule, CMS recalculated and increased these cuts – and has proposed a new total permanent cut of -9.36%, which means that CMS plans to cut the standard rate by an additional 5.653% beginning in CY 2024. CMS has also increased its tally of “clawback” cuts that will result in at least \$4 billion in future cuts. In total, the permanent and temporary cuts are now estimated to reduce home health payments by more than \$20 billion over the next ten years. CMS’ recalculations result in more devastating and deeper cuts to home health each year, making for an impossible environment for home health providers.

**CBO Forecasts Calamitous Decline in the Medicare Home Health Baseline:** The Congressional Budget Office (CBO) recently confirmed what home health providers had suspected: instead of implementing these changes to achieve congressionally mandated budget neutrality, CMS’s methodology is aggressively reducing spending in home healthcare. In its most recent update to the Medicare baseline, CBO projects dramatically lower spending than before PDGM was implemented. CBO’s projections spell gloom for the millions of Medicare beneficiaries who rely on a sustainable home health program for necessary healthcare services and health system partners to safely discharge patients.

**See How Deep the Cuts Are to Home Health:** The red dotted line shows home health base rates with the new permanent cut of -9.36% and the faded red line shows the prior cut of 7.85%. The faded blue dotted line shows the prior estimated \$3.5 billion in additional “clawback” cuts. The bright blue line shows newly projected deeper “clawback” cuts totaling more than \$4 billion. CMS’s flawed methodology is generating significant reductions in spending on home health that is well below what is needed to care for the complex needs of the Medicare home health population.

