

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

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**The home health community supports legislation to stop additional, 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 rolling back the existing rate cuts and prevented any further rate cuts. Revisions to the bill crafted by the sponsors instead would restrict the Centers for Medicare & Medicaid Services (CMS) from implementing any further reimbursement cuts (through their authority to make temporary and permanent adjustments). Passage of this revised legislation is imperative to ensure continued patient access to the Medicare Home Health Program now and in the future.

## What does the legislation do?

- 1. Stops CMS from imposing any further 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 make permanent and temporary adjustments to account for provider behavioral changes associated with the new system. CMS'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 any **further** permanent and temporary payment cuts based on its misguided and harmful budget neutrality methodology.
- 2. Instructs the Medicare Payment Advisory Commission (MedPAC) to more comprehensively analyze the Medicare Home Health Program.** Under current law, MedPAC is charged with reviewing the effect of Medicare payment policies on the delivery of healthcare services provided through 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 approach, and it requires updates to CMS's Medicare home health cost reports to include broader data on utilization and total payments by payer.

## Saving Medicare Home Health is Vitally Necessary

- Congress must prevent CMS from implementing further cuts to the Medicare Home Health Program. **The CY2025 Home Health Proposed Rule includes yet another cut to the Medicare Home Health Program - an additional -4.067% cut in CY2025. Without legislative action to restrict CMS' authority to continue to make cuts, the Medicare home health program faces a dire future.**
- 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 \$15 billion in 2023.
- **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.** Data show the referral rejection rate has increased significantly (from 49% in 2020 to 71% in 2022), which means more patients are forced to stay in the hospital and are not able to move easily from hospital to home.

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

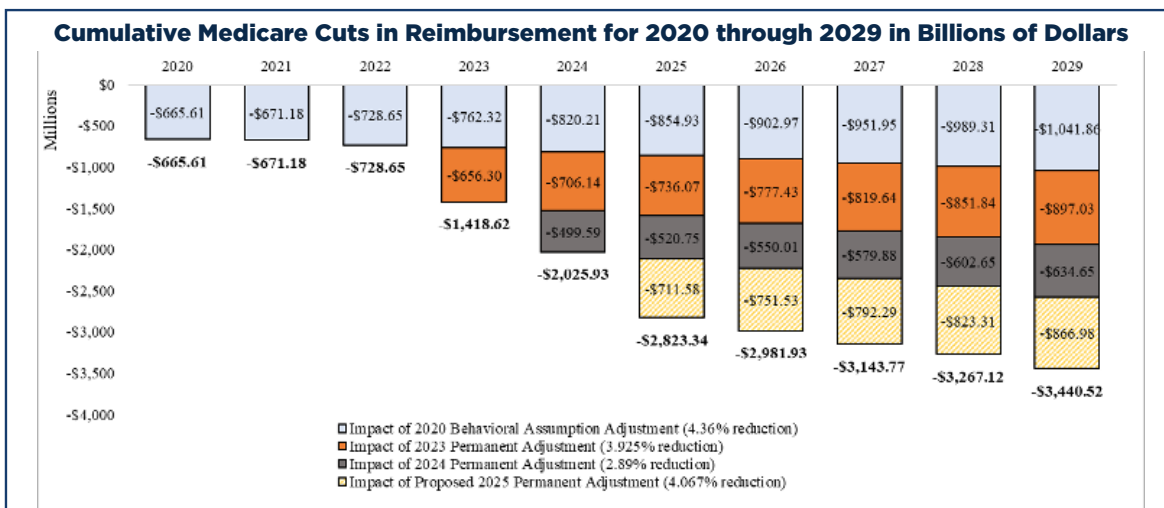
**The New Home Health Payment System:** In 2018, Congress directed CMS to change the Medicare home health payment system beginning in 2020. In doing so, Congress required the new payment system be budget neutral compared to the old system, intending that post-2020 payments should be as if the new system had not been enacted. To achieve budget neutrality, CMS was authorized to make certain payment adjustments on both a 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 significant, permanent cuts to Medicare home health payments. CMS applied a -3.925% cut for CY2023 and a -2.89% cut for CY 2024. Based on the same methodology, CMS planned to implement at least \$3.5 billion in additional temporary “clawback” cuts to home health payments. In the CY 2025 Proposed Rule, CMS has recalculated and increased these cuts – and proposed an additional permanent cut of -4.067% beginning in CY2025. CMS has also increased its total of “clawback” cuts that will result in at least \$4.5 billion in future cuts. **In total, the permanent and temporary cuts are now estimated to reduce home health payments by more than \$25 billion over the next ten years.** CMS’s recalculations result in more devastating cuts to home health each year, making for an impossible environment for home health providers and the patients they serve.

**CBO Forecasts a Dramatic Decline in Medicare Home Health Spending:** 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. 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.

**The May 2024 Medicare Trustees Report Highlights Unexpected Lower Spending in Home Health:** The Medicare Trustees note curbed home health spending, stating, “As a result of the recent home health staffing shortages, the Trustees continue to consider the spending level for this service to be suppressed.”

**Five Years of Massive Cuts Have a Lasting Impact:** Since 2020, CMS’s implementation of PDGM has produced cuts totaling more than \$21 billion through 2029. The chart below illustrates the ongoing impact of a series of cuts starting in 2020 and continuing in 2023 and 2024, combined with a cut proposed for CY2025. CMS plans to cut payments beyond 2025 (at least another estimated \$4.5 billion) but this chart only shows the ongoing impact of cuts CMS has already made and is planning for CY2025:



**Notes:** This chart is based on information contained in the CY2025 HH PPS Proposed Rule and shows the impact of adjustments calculated based on the first four data years of PDGM (2020-2023). It includes a proposed permanent payment reduction in 2025 but does not reflect **any additional permanent and/or temporary reductions (totaling at least \$4.5 billion) to payments, which are anticipated. Those additional cuts will be crippling to the Medicare Home Health Program.**