United States Senate

WASHINGTON, DC 20510

July 27, 2007

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

Dear Chairman Baucus and Ranking Member Grassley:

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 seniors and disabled citizens avoid hospitals and nursing homes. By preventing such institutional care, home health and hospice services save Medicare millions of dollars each year.
Most importantly, they enable individuals to 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 full market basket inflation adjustments, as provided under current law, and opposing any cuts in payment rates through administrative actions.

The Administration's FY 2008 budget includes a legislative proposal to cut Medicare home health payments by $9.7 billion and hospice payments by more than $1.1 billion over five years. It also includes additional administrative cuts in payment rates. The Medicare home health benefit has already taken a larger hit in spending reductions over the past ten years than any other Medicare benefit. In fact, home health as a share of Medicare spending has dropped from 8.7 percent in 1997 to 3.2 percent today, and is projected to decline to 2.6 percent of Medicare spending by 2015. This downward spiral in home health spending began with provisions in the Balanced Budget Act of 1997 (BBA), which resulted in a 50 percent cut in Medicare home health spending by 2001 – far more than the Congress intended or the Congressional Budget Office (CBO) projected.

We believe that further reductions in home health and hospice payments would be counterproductive to controlling overall health care costs. Home health and hospice care have 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) has noted the results of a 2002 RAND study which showed "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 expenditures would also be in direct conflict with the Administration's desire to prioritize health care in the home as a cost-effective alternative to institutional care. During the World Health Congress in February of 2005, Secretary of Health

and Human Services Michael 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."

Reducing Medicare home health and hospice payments would place the quality of home health care and hospice and the home care delivery system at significant risk. Several factors have contributed to the increased cost of providing care in the home over the past few years, including:

- The cost of travel by clinicians to patients' homes;
- The use of technology, like telehealth monitors, which is not covered by Medicare;
- The need to pay significantly higher salaries for nurses, therapists, and home health aides to attract these individuals from the scarce supply of clinicians nationwide.

Many home health providers currently do not have a sufficient number of clinical staff to accept patient referrals from physicians and hospitals. As a consequence, hospital discharge planners have reported that they are finding it more difficult to refer patients for home health care. Additional cuts to the home health benefit 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 they are also 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 support full market basket updates for home health and hospice, as provided under current law, and to oppose any cuts in payment rates through administrative action. Thank you for your consideration of this important matter.

Sincerely,

Susan M. Collins

Russ Feingold

Christopher S. Bond

Jack Reed

Patrick Leahy

Arlen Specter
Home Health

Norm Coleman

[illegible]

Robert Menendez

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[illegible]

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