

United States Senate

COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP
WASHINGTON, DC 20510-6350

September 17, 2013

The Honorable Kathleen Sebelius
Secretary
Department of Health and Human Services
200 Independence Avenue, S.W.
Washington, D.C. 20201

Re: Medicare and Medicaid Programs: Home Health Prospective Payment System Rate Update for CY 2014, Home Health Quality Reporting Requirements, Cost Allocation of Home Health Survey Expenses (RIN: 0938-AR52)

Dear Secretary Sebelius:

I write to share my concern regarding the 2014 Home Health Prospective Payment System (HHPPS) proposed rule's implementation of home health payment rebasing. The proposed rule imposes a harmful 14% reduction in Medicare home health payments by implementing the maximum allowable rebasing adjustment of 3.5% each year from 2014 to 2017. Not only will this cut directly impact Medicare beneficiaries receiving home health services who are often the oldest and most vulnerable in Medicare, but it will also be detrimental to home health agencies, the majority of which are small businesses.

According to the Centers for Medicare and Medicaid Services' (CMS) 2012 cost reporting data, many small home health agencies (HHAs) are already experiencing negative margins. In particular, small home health agencies reporting Medicare revenue of less than \$500,000 in 2012 faced a negative 2.96% margin, a decrease of 2.51% from 2011. Additionally, these small home health agencies disproportionately service rural and medically underserved *areas* – with over 40% of the smallest home health agencies operating in counties or parishes that are entirely designated as a health professional shortage area (HPSA).

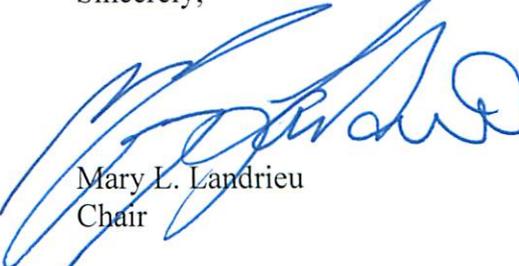
In a recent letter to the Administrator of the CMS, the Small Business Administration's Office of Advocacy echoed these concerns. The Office of Advocacy also expressed concern that CMS did not provide a sufficient factual basis, as required under the Regulatory Flexibility Act, in certifying the rule would not have a significant economic impact on a substantial number of small entities. I share their request that CMS should improve its small entity impact analysis in the final rule.

In my home state of Louisiana, roughly 78,000 Medicare beneficiaries rely on care from these important home health providers. I am deeply concerned that the proposed rule underestimates home health agency costs per episode of care for these beneficiaries. Specifically, it does not appear to accurately account for actual operating costs and other recent payment reductions such Medicare cuts under sequestration and productivity adjustments. The draft rule also relies on outdated 2011 data even though CMS possesses comparable 2012 data.

As more baby boomers enter Medicare rolls over the next decade, it is absolutely critical that we ensure beneficiary access to vital services such as home health. I urge you to reevaluate *the methodology* used in determining rebasing and take into consideration the concerns raised by home health agencies across the country and the SBA's Office of Advocacy. Thank you in advance for your consideration.

With kindest regards, I am

Sincerely,



Mary L. Landrieu
Chair