



Continue 3% Medicare Add-On for Home Health Services in Rural Areas

Legislative Actions: From 2001 through 2006, as part of the Benefits Improvement and Protection Act (BIPA), home health providers in rural areas of the country received a “rural add-on” payment authorized by Congress to support these critical access home health services. The rural add-on began at 10 percent, but was later reduced to 5 percent in 2004 through 2006 when it expired after a one-year extension. Rural providers received no add-on from 2007 until March 31, 2010 when Congress reinstated the add-on, yet again at a lower level: 3 percent. This latest add-on is scheduled to expire on January 1, 2016.

Background: Contrary to the perception that New York is largely urban/metropolitan, nearly 40% (24) of the state’s counties meet the latest rural designation established by the U.S. Centers for Medicare and Medicaid Services (CMS) and many of the remaining geographic areas are essentially rural in character.

Rural home health care providers face enormous challenges in the provision of services to vulnerable New Yorkers. In many rural locations throughout the state, a single home care agency provides services to patients spread out across multiple sparsely populated counties. Beyond geographic conditions, the rural home care delivery system is further challenged by workforce scarcity issues, local economic conditions, a lack of auxiliary social services or related health and medical supports, and unprecedented Medicaid and Medicare reimbursement cuts that have led to home care agency closures and other forms of downsizing, further straining the system and threatening access to care.

Throughout the last ten years, almost all of the county-sponsored Certified Home Health Agencies (CHHAs) and/or Long Term Home Health Care Programs (LTHHCPs) in rural areas have either closed or sold their agency. Furthermore, the average un-weighted Medicare profit margin for CHHAs operating in rural areas was negative 40.4 percent, which is a contributing factor in the overall diminution of rural home health services; indeed, more than half of New York’s rural communities have only two or fewer providers of skilled care for Medicare and Medicaid home health services. If any more of these agencies close, access to skilled home care will be seriously threatened for residents in rural areas of New York.

HCA’s Recommendation: Congress should permanently extend the 3 percent Medicare rural add-on for home health services delivered in rural areas so that access to skilled home and community based care is not threatened. Congress should also closely monitor the adequacy of the Medicare home health prospective payment system (PPS) payment so that agencies can continue to provide care to Medicare beneficiaries in rural areas.