News from the
Home Care Association
Of New York State

HOME CARE ASSOCIATION OF NEW YORK STATE

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HCA Report: Cuts Plunge NY Home Care Agencies Further in the Red

Financial trends in home care coincide with unprecedented Medicaid cuts and state policy changes in 2011, the most recent year of data available

ALBANY – The Home Care Association of New York State (HCA) today released its 2013 *Report on the Fiscal Health of Home Care in New York State* which shows that state Medicaid cuts and rising costs have driven home care agencies deeper into the red in 2011, the most recent year of data available.

Alarmingly, while the median operating losses of home care agencies worsened at a steady rate from 2009 to 2010, these losses took a severe turn in 2011 – coinciding with $1 billion in unprecedented state Medicaid cuts to home care over two years coupled with the state's initiation of new long term care policy changes that risk compromise to home care providers financially if appropriate transition measures are not instituted during this year's state legislative session.

Analyzing Medicaid cost reports and utilizing a survey tool, HCA specifically reviewed the financial data for Certified Home Health Agencies (CHHAs) and Long Term Home Health Care Programs (LTHHCPs). These agencies are required to submit cost reports annually to the state. (Cost reports are independently certified statements of an agency's finances and, thus, provide reliable data on revenue, expenses and other factors.) HCA's survey additionally sought responses from all types of home care providers about their financial condition and their experiences with various state policies. Among other items, this analysis found:

- The percentage of home care agencies with negative operating margins increased by an alarming 22% between 2010 and 2011. **Seventy-nine percent of home care providers had negative operating margins in 2011.**

- CHHA median operating margins decreased from -1.71% in 2009 to -1.81% in 2010 and then dropped precipitously to -13.94% in 2011.

- LTHHCP median operating margins fell from -8.1% in 2009 to -8.771% in 2010 and then dropped to -11.47% in 2011.

"These findings show the financial impact of $1 billion in home care cuts and policy changes enacted in the 2011 state budget," said HCA President Joanne Cunningham. "The math is simple. Providers have seen a damaging combination of chronic reimbursement cuts and rising administrative costs due in large part to state policies that accelerated to unprecedented levels in 2011. Even the state's own monthly data reports on the Medicaid program show that the impact of these cuts has exceeded expectations in reducing home care Medicaid spending below projections. What the state's data does not show, however, is the toll of these policies on provider operating margins and overall viability at a time when these cost-effective programs are vitally needed to reduce hospitalizations and provide the best care for New Yorkers."

In addition to operating margins, HCA's report also studied the impact of new state policies for delivering long term care services, especially the onset of the transition of dually-eligible Medicaid patients to managed care plan enrollment. This process has already started to go into effect but is expected to be systematically implemented statewide pending federal approval.

For home care, this policy of mandatory enrollment means that many agencies will increasingly expect to: 1) operate in a subcontracting role, providing services under contract with health plans rather than directly functioning as the care managers for patients; and 2) negotiate with plans for contracted rates of payment that have thus far trended even further below the current Medicaid fee-for-service (FFS) rate to providers – a rate which has historically proven inadequate for the 79% of providers that were operating in the red under a FFS model during 2011.

The vast majority of home care agencies are working to establish contract partnerships with Managed Long Term Care (MLTC) plans and Managed Care Organizations (MCOs), the report states. Yet at a time when the traditional Medicaid FFS rate has historically proven inadequate, two-thirds of respondents to HCA's survey indicated they are receiving MLTC and MCO rates well below these already insufficient FFS rates:

- For home care providers who receive rates below FFS, their MLTC rates are on average 8% below FFS and their MCO rates are on average 20% below FFS.

- Meanwhile, when asked which supports are needed to contract with MLTCs/MCOs, "stronger continuity-of-service/transition policies" ranked second only to concerns about adequate payment, reinforcing the fact that state policymakers have not done enough to ensure adequacy of reimbursement, programmatic parameters, safeguards for service, regulatory relief, or transition assistance to assure the success of its own policy.

"Front-line home care providers are essential to the success of New York State's long term care policy initiative," Cunningham said. "Without stronger continuity-of-care policies, transition assistance, and adequate levels of payment for providers and health plans alike, the home care system faces an unnecessary, though avoidable, threat to its overall stability and viability."

To download the complete report, visit:

http://www.hca-nys.org/documents/HCAFinancialConditionReport2013.pdf

In the lead-up to HCA's State Advocacy Day on January 28, and following tomorrow's release of the Governor's state budget proposal, HCA will be issuing a detailed set of policy priorities for the legislative session to assist the home care system during this time of transition.

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