



Make 3% Medicare Add-On Permanent for Home Health Service 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 of 3 percent. That rural add-on was scheduled to expire on January 1, 2016, but Congress thankfully extended the 3 percent rural add-on as part of a bill to overhaul the Medicare Sustainable Growth Rate (SGR). The BBA of 2018 then amended Section 421 (a) of the Medicare Modernization Act (MMA) by extending the rural add-on for five years. While the rural add-on will remain as a 3 percent increase for all home health services provided in rural areas for episodes and visits ending before January 1, 2019, CMS has proposed and finalized significant changes to the home health rural add-on between CY 2019 and CY 2022.

Beginning in CY 2019 and onward, CMS will place rural counties into one of the following three categories for purposes of the home health rural add-on payment:

- **High Utilization** – For rural counties in the highest quartile of home health usage per 100 people, based on 2015 data, the rural add-on in those counties will be 1.5 percent in 2019; 0.5 percent in 2020; and 0 percent in 2021 and 2022.
- **Low Population Density** – For rural counties and equivalent areas with a population density of 6 individuals or fewer per square mile of land area (also known as “frontier counties”) based on 2010 Census data, the rural add-on in those counties will be 4 percent in 2019; 3 percent in 2020; 2 percent in 2021; and 1 percent in 2022.
- **All Other** – For patients being serviced in all other rural counties (outside of the previous tiers mentioned above), the add-on will be 3 percent in 2019; 2 percent in 2020; 1 percent in 2021; and 0 percent in 2022.

Based on HCA’s analysis, New York’s Hamilton County will fall under the “Low Population Density” or “frontier” category, while the remaining 23 rural counties in New York will fall under the “All Other” category.

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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 fact, a national analysis by the Moran Company found:

- 37 percent of all rural home health beneficiaries have seven or more chronic conditions;
- 57 percent of Medicare home health beneficiaries are over the age of 75 versus 36 percent for all other Medicare beneficiaries;
- In 2017, rural home health beneficiaries were 15 percent less likely to receive home health services than their urban counterparts; and
- Rural beneficiaries live more than twice as far from their doctor and nearly twice as far from the nearest hospital compared to beneficiaries in an urban setting.

Furthermore, over the last twelve years, almost all of the county-sponsored Certified Home Health Agencies (CHHAs) and/or Long Term Home Health Care Programs (LTHHCPs) in New York's rural counties have either closed or sold their agency.

A 2017-18 cost report analysis by HCA found that approximately 72% of all Medicare certified agencies operating in New York's rural counties faced negative operating margins, 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 Recommendation

Congress should make the 3 percent Medicare add-on permanent 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.



388 BROADWAY
FOURTH FLOOR
ALBANY, NEW YORK 12207
PH: (518) 426-8764 W: WWW.HCA-NYS.ORG