Parity Needed in Medicare Home Health Wage Index

Current disparities cut NYS providers by $100M compared to other states

Big Picture

Medicare's rates for home health provider reimbursement are generally universal on a nationwide basis. If two patients are treated for the same duration and for the same clinical needs, the providers who serve them would get reimbursed at the same rate no matter where in the country the service occurred — if it weren't for the wage index, that is. This is why a precise wage index is absolutely critical: to distinguish between different states and regions where labor costs are markedly variable, so that providers in high-cost labor regions have parity in the rates they receive to cover vital services. Unfortunately, this parity does not exist; and the U.S. Centers for Medicare and Medicaid Services (CMS) continues to under-reimburse states like New York and, even, specific regions within the state.

Technical Details

In 2006, CMS changed from using Metropolitan Statistical Areas (MSAs) to Core Based Statistical Areas (CBSAs) for the home health agency (HHA) wage index calculation. Unlike past MSA designations – where all of the counties in the New York City (NYC) designation were from New York State – the 2006 CBSA wage index designation added Bergen, Hudson and Passaic counties from New Jersey into the NYC wage index area. Then in 2015, CMS added three more New Jersey counties (Middlesex, Monmouth and Ocean) to the NYC area wage index.

Also in 2015, CMS began a process of transitioning fully CBSAs, ultimately using the 2013 designations developed by the Office of Management and Budget (OMB), along with the pre-floor, pre-reclassified hospital wage index to adjust the home health services wage index. This structure is in place for the 2019 rates.

The provision of home health care is a local endeavor; thus, the decision to view the current CBSA area designation in the "aggregate" for a large geographic region like NYC fails to represent the actual impact of the change, but HCA has identified disparities in other regions of the state as well.

Wage Index Changes Mean Cuts to NYS Providers

CMS's decision thirteen years ago to switch from MSAs to the CBSAs for the wage index calculation has had serious financial ramifications for New York HHAs. HCA estimates that this thirteen-year shift – from MSAs to CBSAs – has resulted in an estimated **$100 million** cut in Medicare home health reimbursement statewide and over **$70 million** in cuts for HHAs in the NYC metropolitan area.

HCA has also consistently raised issues with CMS's use of the pre-floor, pre-reclassified hospital wage index because this causes continuing volatility of the home health wage index from one year to the next.

Examples

The inclusion of New Jersey counties into the NYC wage index — counties that surely have different wage costs — is just one example.

Another example is CMS's analysis of the Albany-Schenectady-Troy (aka, the Capital District) CBSA. In the past six years, this CBSA has seen its wage index reduced 6.18 percent, going from 0.8647 in 2013 to a CY 2019 wage index of 0.8112. Anyone who is familiar with the upstate New York labor market and general cost of living would recognize that the Capital District CBSA should not be lower than any of the following other upstate New York CBSAs: Binghamton, Elmira, Glen Falls, Rochester, Syracuse, Watertown-Fort Drum and, most significantly, the "New York Rural Areas CBSA," which is currently set at 0.8499.

In addition, unlike the hospitals in the Albany-Schenectady-Troy CBSA, who are given the opportunity to appeal their annual wage index, HHAs in this CBSA don't have appeal rights. This lack of parity between different health care sectors further exemplifies the inadequacy of CMS's decision to continue to use the pre-floor, pre-reclassified hospital wage index to adjust home health services payment rates.

HCA Recommendation

CMS has repeatedly dismissed HCA's request for wholesale revision and reform of the home health wage index, even with the compelling examples given above. We believe the pre-floor, pre-reclassified hospital wage index is wholly inadequate for adjusting home health costs, particularly in states like New York, which has among the nation's highest labor costs, now greatly exacerbated by our state's implementation of a phased-in $15 per-hour minimum wage hike, the balance of which is unfunded by Medicare. This mandate, when fully phased-in, will cost a stunning $2 billion for New York HHAs across all payors (Medicaid, Medicare, managed care, commercial insurance and private-pay) and will never be adequately addressed due to CMS's ongoing disposition to continue using the pre-floor, pre-reclassified hospital wage index to adjust home health costs.

CMS has also stated in previous final rules that the MSA delineations, as well as the CBSA delineations, are determined by OMB. OMB reviews its Metropolitan Area definitions preceding each decennial census to reflect recent population changes.

HCA requests that Congress closely monitor the wage index and consider the following:

- The impact on care access and financial stability of HHAs at the local level;
- The unpredictable year-to-year swings in wage index values that are often based on inaccurate or incomplete hospital cost reports that have negatively impacted New York HHAs throughout the years and jeopardize access to care;
- The inadequacy of the pre-floor, pre-reclassified hospital wage index for adjusting home health costs; and,
- The labor market distortions created by reclassification of hospitals in areas in which home health labor costs are not reclassified.

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