



TO: Joint Fiscal Committee
FROM: Peter Cobb, Director -VNAs of Vermont
DATE: August 12, 2014

Comments from the VNAs of Vermont on the Proposed Budget Cuts

On behalf of the 11 VNAs and nonprofit hospice organizations in Vermont, I want to express our dismay with the proposal to rescind the 1.6% Medicaid rate increase that was scheduled for January 1, 2015. Home care agencies already subsidize Medicaid programs by nearly \$5 million dollars a year. This proposal just makes a bad situation worse.

State Medicaid Payments

- State support for home care programs is well below costs. Agencies subsidize Medicaid by approximately \$5 million each year.
- Home care agencies do not have the ability to cost shift to private payers as over 80% of our revenues are from Medicaid and Medicare. Revenues from private pay and private insurance comprise less than 10% of our income.
- Medicaid and other state programs comprise nearly 30% of the total home care revenues of the VNAs of VT member agencies – nearly twice the New England average.
- Home care represents less than 4% of the total health care spending in Vermont. It is a good investment since often Vermonters, who cannot be served at home, receive care in more expensive hospitals and nursing homes.

Cost Pressures - Every year all bills go up. The electric bill is higher than last year, the phone bill is higher, wages and benefits are higher, the heating bill is higher and transportation costs are higher. Yet, while all these are higher, reimbursement rates for the past eight years are nearly the same.

High Tech - Depending on the intent of the proposed changes to the high tech program, this program is in serious jeopardy. The proposal, as presented in the documents yesterday, is not clear.

“It has been determined that personal care budgets have historically been approved projecting higher usage than what clinical guidelines recommended.”

We agree and have worked with the state to identify savings. However, the agreement between home health and the State was that the savings identified would be used to pay higher rates. If

this is not the case, it will be fiscally impossible for agencies to continue to provide care to everyone in need of this service as losses are simply too great and the revenues are not sufficient to support the hiring of nurses to provide the care.

- Medicaid reimbursement for hi-tech services is far below cost (see attached). *FY 2013 total revenues, \$3,489,669 (Medicaid - \$3,009,185); total expenses, \$4,361,769*
- Medicaid losses are unsustainable. (*Total losses - \$872,100*)

The High Technology Home Care Program is an intensive program for children and adults with severe disabilities. Examples of typical patients are an adult with a spinal cord injury on a ventilator and with a feeding tube, a child with cerebral palsy on a CPAP (Continuous Positive Airway Pressure) machine, and an adult with Amyotrophic Lateral Sclerosis with a tracheotomy and a feeding tube.

Services include nursing, aide services, intravenous and enteral therapies, respite services and additional services as reviewed and approved by the State. The goal is to support the transition from hospital or other institution to the home or to prevent institutional placement. There are approximately 65 people on this program.

Medicare - For the past eight years home care agencies in Vermont have used surplus revenues from Medicare to cover state losses. The Centers for Medicare and Medicaid Services (CMS) is doing its best to eliminate future Medicare profits by home care agencies. Successive cuts in Medicare rates for the past 6 years have greatly reduced, and in some cases, eliminated, the excess revenues agencies previously used to subsidize Medicaid.

What is at stake? Home care agencies cannot continue to subsidize state payments at the current level. Unless the state funding gap is closed, home health agencies will be forced to make difficult decisions regarding access to services. Without viable home health agencies operating at high levels of performance, there will be higher census levels in more expensive hospitals and nursing homes.

What is Needed?

- Because home care agencies cannot cost shift losses from Medicaid to private payers, home care should be exempt from these reductions.
- Savings from the High Tech program should be used to pay higher rates for this program to allow agencies to continue this essential service.

		Pediatric High Tech	Adult High Tech
Operating Revenue FY 2013			
Medicaid			
Home Care - Acute	\$-		\$350,360
Waiver - Choices for Care	\$-	\$-	
Children's Services		\$1,402,998	\$-
Hospice	\$-	\$-	
TBI	\$-	\$-	
Other		\$302,340	\$953,486
Medicaid Sub-Total		\$1,705,339	\$1,303,846
Medicare	\$-	\$-	
Private Pay		\$129,353	\$-
Private Insurance		\$351,741	(\$610)
Grants	\$-	\$-	
Other (identify*)	\$-	\$-	
Total Operating Revenue		\$2,186,433	\$1,303,236
Expenses			
Salaries and wages		\$1,640,782	\$864,133
Benefits (incl. worker's comp)		\$304,979	\$115,400
Travel		\$18,615	\$3,104
Contracted Services		\$153	\$4,643
Direct medical/ program sup		\$1,155	\$336
Medicaid Tax		\$655	\$22,637
All Other		\$131,608	\$19,378
Sub-Total		\$2,097,947	\$1,029,631
Indirect Expense Allocation		\$686,028	\$548,163
Total Operating Expenses		\$2,783,975	\$1,577,794
Operating Gain/Loss		(\$597,542)	(\$274,558)
Percent Loss		-27.33%	-21.07%

* Source DAIL report