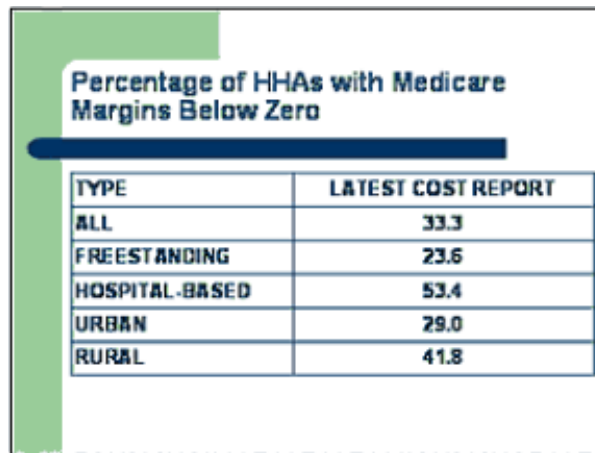


NAHC Unveils New Cost Report Data Findings for Medicare HHAs

Armed with new comprehensive data regarding the financial state of affairs for Medicare home health agencies, the National Association for Home Care & Hospice unveiled findings from its analysis of the most recently filed cost reports from home health agencies (HHAs) across the country.

Overall, the data show that agency margins continue to decline, primarily as a result of lower revenues related to restricted rate increases. Rural agencies and hospital-based programs, on average, continue to operate at a loss in their Medicare business.



The table is titled "Percentage of HHAs with Medicare Margins Below Zero". It contains five rows of data. The first row is the header with columns "TYPE" and "LATEST COST REPORT". The subsequent rows are: "ALL" (33.3), "FREESTANDING" (23.6), "HOSPITAL-BASED" (53.4), "URBAN" (29.0), and "RURAL" (41.8). The table is presented within a box that has a green vertical bar on the left side.

TYPE	LATEST COST REPORT
ALL	33.3
FREESTANDING	23.6
HOSPITAL-BASED	53.4
URBAN	29.0
RURAL	41.8

The data indicate that HHAs overall have done well in controlling cost increases, with both episode costs and per-visit costs rising only slightly. At the same time, agencies are providing a stable level of service to patients, with the visits-per-episode statistic remaining fairly constant over the first three years since implementation of the Medicare Home Health Prospective Payment System (PPS).

While HHAs on average may be profiting in their Medicare business, those profits disappear when considering overall profit margins. Dombi speculated that the explanation for these results is that Medicaid and managed care business represent significant losses that are subsidized by Medicare profits.

However, this look at the latest data illustrates that nearly one third of all HHAs continue to lose money on Medicare home health services, Dombi noted. While many of the losses relate to hospital-based agencies, a significant proportion of freestanding agencies also receive reimbursement from Medicare that is inadequate to cover the cost of delivering care.

**Overall Margins
Freestanding Only
(Latest Cost Report)**

TYPE	WEIGHTED	UNWEIGHTED
ALL	2.84	1.20
URBAN	3.03	2.31
RURAL	1.29	(2.91)

The data are of particular significance, for example, when qualifying other information used to determine Medicare home health payments, such as the Government Accountability Office's report earlier this year finding that the amount paid to Medicare freestanding home health agencies as a group "more than covered" the overall cost of caring for Medicare patients. In a similar vein, the Medicare Payment Advisory Commission (MedPAC) this year concluded that aggregate payments for home health services are "more than adequate relative to costs," and for the second straight year recommended a freeze on pay rates.