Care at Home
Community Healthcare

John Mendoza, Acting Division Chief
Fee-For-Service Rate Development Division
Department of Health Care Services
1501 Capitol Avenue, MS 4600
Sacramento, CA 95814

April 6, 2013

Dear Mr. Mendoza:

Comments on Report entitled "Medi-Cal Further Rate Review of Access to Home Health Agency Services for 2001-2005"

Thank you providing me with the opportunity to review the report on rate adequacy and access to care for Medi-Cal beneficiaries for the time period 2001 through 2005 that was prepared by your division. I have several comments and appreciate you taking the time to consider them.

Report data demonstrate 24% decline in utilization of home health care services by growing Medi-Cal beneficiary population

Table 1 of the report states that in 2001, 0.249% of Medi-Cal eligibles utilized home health agencies to receive care, while in 2005 only 0.190% utilized home health agencies. This represents a decline of 24% in utilization of home health agencies by Medi-Cal eligible individuals. While the report argues that the expenditure and volume of claims for Medi-Cal eligibles increased from 2001 to 2005, the table demonstrates very clearly that utilization of home health care as a proportion of the eligible Medi-Cal population declined. This provides evidence that access to care declined for the Medi-Cal population as the population expanded from 2001-2005.

Correct comparison of Medicare and Medi-Cal access to care demonstrates Medi-Cal eligibles suffered approximately 30% decline in relative access to care

Table 2 of the Department's Report excluded approximately half of the Medi-Cal beneficiaries who are eligible to receive home health care. This is incorrect because it does not account for the many children and other Medi-Cal beneficiaries who are eligible to receive home health care. The report correctly included these beneficiaries in the analysis in Table 1, demonstrating that they should be retained for all analysis of access to care.

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Medicare & Medi-Cal Enrollment Summary With Corrected Medi-Cal Enrollees									
Year		HHA Medicare CA Providers	HHA Medi-Cal Providers	Total Medicare Enrollees	FFS Medi-Cal Eligibles	Medicare Enrollees per HHA Provider	FFS Medi-Cal Eligibles per HHA Provider	# of Medicare Providers per Enrollee	# of Medi-Cal Providers per FFS Eligible
	2001	504	419	3,947,000	2,705,826	7,831	6,458	0.00013	0.00015
	2002	530	427	4,004,000	2,960,783	7,555	6,934	0.00013	0.00014
	2003	599	415	4,066,000	3,150,971	6,788	7,593	0.00015	0.00013
	2004	632	396	4,122,332	3,286,032	6,523	8,298	0.00015	0.00012
	2005	637	449	4,200,640	3,278,666	6,594	7,302	0.00015	0.00014
2001-2005 % Change		26%	7%	6%	21%	-16%	13%	19%	-12%
Relative Medi-Cal Access Decline							**29%**		**-30%**

Once Table 2's analysis has been corrected to account for all Medi-Cal eligibles utilizing the population figures from Table 1, it is clear that Medi-Cal beneficiaries suffered a significant decline in access to home health care during the 2001-2005 period. Not only did the number of Medi-Cal eligibles per HHA provider increase 13% during this period (while Medicare enrollees per provider decreased 16%), the number of Medi-Cal providers per eligible declined 12% (while Medicare enrollees enjoyed a 19% increase in providers per enrollee). As a result, relative to Medicare enrollees, Medi-Cal eligibles suffered a worsening of access to home health care, suffering a 29% relative decline of access per HHA provider and a 30% relative decline in number of providers per eligible beneficiary.

Decline in access to home health care is directly correlated to insufficient reimbursement rates

The report states that "the Department does not believe this is related to any problem with reimbursement rates paid to HHAs", implying that changes in utilization of home health care bear no relation to reimbursement rates. As my comments above have evidenced, Medi-Cal beneficiaries suffered a significant decline in access to home health services from 2001 to 2005. In particular, the corrected Table 2 demonstrates that fewer home health agencies were willing to provide care to the Medi-Cal population as that population expanded, while relatively more home health agencies selected to provide care for Medicare beneficiaries.

Medicare utilizes provider cost reports and cost surveys to calculate reimbursement rates annually that are designed to provide sufficient efficiency, economy and quality of care ("EEQ") by covering provider costs. Medi-Cal has not considered provider costs in determining its rates and as a result home health providers are unable to cover their costs of providing care to Medi-Cal eligible beneficiaries, which

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directly resulted in the relative decline in Medi-Cal beneficiary access to home health care from 2001 to 2005.

During 2001-2005, a significant differential existed between Medicare and Medi-Cal visit reimbursement rates. As you can see from the table below, in each year of the 2001-2005 period Medi-Cal's reimbursement rate for a Skilled Nursing visit was significantly below Medicare's calculated EEQ rate.

Comparison of Medicare & Medi-Cal Skilled Nursing Visit Rates

	Medicare	Medi-Cal	Medicare % Excess	Medi-Cal % of Medicare
2001-2002	$ 94.27	$ 74.86	26%	79%
2002-2003	$ 97.38	$ 74.86	30%	77%
2003-2004	$ 96.63	$ 74.86	29%	77%
2005	$ 98.85	$ 74.86	32%	76%
2001- 2005 Average	**$ 96.78**	**$ 74.86**	**29%**	**77%**

Source: Medicare Visit Rate Data, Medi-Cal website

On average for 2001-2005, Medicare's EEQ reimbursement rate for a Skilled Nursing visit was 29% above Medi-Cal's rate. This significant reimbursement differential is repeated across other home health disciplines, including therapies, home health aide care, and medical social services.

Because Medicare annually calculates its EEQ reimbursement rate based on provider cost reports and other surveys, it can be assumed that the Medicare reimbursement rates cover the costs of care. Furthermore, during the period of 2001-2005, Medicare ascribed approximately 77% of its reimbursement amount to the direct cost of labor to provide home health services (the wages and benefits paid to skilled nurses, therapists, home health aides, etc. who provide care to patients). Medicare ascribed the remaining 23% of the reimbursement rate to the other costs of providing home health services (state license fees, regulatory compliance costs, office rent, clinical directors and managers, insurance, etc.).

In the table above, given that the Medi-Cal reimbursement rate was on average only 77% of the Medicare rate, it stands to reason that home health providers were unwilling to provide care to Medi-Cal beneficiaries because the Medi-Cal reimbursement rate only just covered their direct care labor costs and did not contribute to their overhead costs. The lack of adequate provider reimbursement rates directly explains why access to and utilization of home health services by Medi-Cal beneficiaries declined relative to Medicare beneficiaries from 2001-2005.

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The report does not consider regional differences in the cost of home health care within California that further limit Medi-Cal beneficiary access to care

The report provides no analysis of the regional differences in the cost of providing home health services and how those differences limit Medi-Cal beneficiary access to care. Different regions of California have very different costs of care as a result of clinicians' wages (the major component of the cost of providing home health care), office rent, insurance, business licenses and many other costs that vary widely across different regions of California. Medi-Cal's reimbursement rates for home health care are the same regardless of whether the care is provided in an expensive region or a lower cost region. As a result, it can be argued that Medi-Cal unintentionally discriminates against Medi-Cal beneficiaries who live in high cost regions by discouraging providers who may otherwise offer them access to care.

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Source: Medicare Visit Rate Data, Medi-Cal website

The table above utilizes Medicare county-specific wage indexes to demonstrate the significant regional difference in the cost of care utilizing four counties as examples of the regional variance in the wage index. For example, on average from 2001-2005 the wage index was 46% higher in San Mateo County than in Kern County. Medicare's EEQ reimbursement rates reflect this dramatic regional difference, while Medi-Cal's reimbursement rates are the same across our state. As a result, many eligible Medi-Cal beneficiaries who live in the highly populated and frequently more expensive regions of California are unable to access home health care because Medi-Cal's reimbursement rate is inadequate to cover even the direct clinician labor costs of care in high cost regions of the state. This further explains very clearly why the decline in access to care from 2001-2005 demonstrated in my first two comments is directly related to the insufficient reimbursement offered by Medi-Cal to home health providers.

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Conclusion

My comments to the report demonstrate the fallacy of the report's conclusions that there was adequate access to home health care for Medi-Cal beneficiaries from 2001 to 2005 and that access to care was unrelated to Medi-Cal provider reimbursement rates. This is clearly inaccurate because from 2001-2005:

1. Utilization of home health care by the growing Medi-Cal beneficiary population declined 24%.
2. Medi-Cal beneficiaries suffered an approximately 30% relative decline in access to home health care compared to Medicare beneficiaries.
3. The decline in Medi-Cal beneficiary access to home health care was directly correlated with insufficient reimbursement rates, which based on Medicare data were 23% below the cost of providing care.
4. The decline in Medi-Cal beneficiary access to home health care was exacerbated by Medi-Cal's lack of regional reimbursement differentiation, which further penalized Medi-Cal beneficiaries living in highly populated, high cost regions of the state where the cost of care could be 46% higher than in lower cost regions of California.

I strongly encourage you to recognize that the contents of your department's report are inadequate. Evidence clearly demonstrates that Medi-Cal beneficiaries did not have adequate access to home health care from 2001-2005 because Medi-Cal's reimbursement rates from 2001-2005 were inadequate to attract a sufficient number of providers required to meet the needs of the growing Medi-Cal beneficiary population.

Thank you for your efforts to determine adequate access to home health care for California's Medi-Cal beneficiaries and to ensure that providers are adequately reimbursed. I appreciate your department's hard work on this important mission.

Sincerely,

Jason Grinstead
Administrator

300 Orchard City Drive, Suite 108
Campbell, CA 95008
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