



Additional New Cost-Sharing for Medicare Home Health and Skilled Nursing Facility Care

Background

Medicare beneficiaries pay significant out-of-pocket costs for their care, including a 20 percent coinsurance for most services. According to the Kaiser Family Foundation, health expenses amounted to about 15 percent of Medicare household budgets in 2009 – three times more health care spending, on average, than non-Medicare households. Some policymakers are proposing increased cost sharing for people on Medicare, such as adding a copay for Medicare home health care and for the first 20 days of Medicare skilled nursing facility (SNF) care. Approximately 3.3 million people use Medicare home health in a year and about 2.4 million beneficiaries use Medicare SNF services in a given year. Congress eliminated home health copays decades ago. Medicare SNF care does have a copay of \$141.50 per day in 2011 for days 21-100 of Medicare SNF coverage, beneficiaries pay all costs for each day after day 100 in the benefit period, and there is a \$1,132 deductible for each episode of illness under Medicare Part A. Proposals for home health copays or cost sharing vary, such as from \$150 to \$600 per 60 day Medicare home health episode, and some propose some limits on such cost sharing. One proposal for cost sharing for the first 20 days of Medicare SNF coverage would amount to a \$59 per day cost in 2013 to Medicare beneficiaries. Cost sharing proposals aim to reduce the deficit and Medicare spending and/or encourage appropriate use of the service.

AARP generally opposes shifting additional costs onto Medicare beneficiaries, including in the form of home health or additional SNF cost sharing. Half of all Medicare beneficiaries live on incomes of less than \$22,000. Before we shift additional costs burdens onto those who need care, Congress should address the real problem of increasing costs throughout the health care system. Simply shifting more costs to Medicare beneficiaries will not rein in overall health care costs.

- **New cost sharing could deter use of effective and necessary care and encourage the use of higher cost care.** People on Medicare could forgo necessary home health or SNF care if there is a copay, which could lead to higher Medicare costs -- increased inpatient costs, such as unnecessary hospitalizations, or the use of higher cost care. For example, an Avalere Health study found that Medicare Part A spending after the initial hospitalization for patients with certain conditions who received home health services in the same quarter as the initial hospitalization was lower than Part A spending for similar patients who received other post-acute care services in that initial quarter, and the difference increased over time. Patients also do not have the information necessary to determine whether home health or SNF care is necessary.

- **People receiving Medicare home health and SNF care may be sicker and already face high costs.** Medicare beneficiaries who may be subject to these proposed copays likely may be older, have more chronic conditions, need more help with daily activities, be in poorer health and thus have higher health and long-term services and supports costs than other Medicare beneficiaries. They may also have recent costs from a hospitalization or other post-acute care in addition to the proposed new copayment.
- **Proposed cost sharing would also increase Medicaid costs for states and the federal government.** State and federal Medicaid spending would increase, since Medicaid would pay in many cases for the copays of individuals dually eligible for Medicare and Medicaid. This would be an increased cost burden for states already under tight fiscal constraints. Some state officials have already raised concerns about added copays.
- **Congress already enacted a copay for home health and later repealed it.** Previous experience with a Medicare home health copay led Congress to repeal it, due to the burden it placed on seniors and the services it shifted to costly settings. A recent poll found that 73 percent of voters also oppose home health copays, including 81 percent of seniors. Congress rejected home health copays and should do so again.
- **Employer costs would also likely increase due to proposed copays.** Employer costs for supplemental retiree coverage would also increase, as supplemental plans would pay the cost sharing amounts previously covered by Medicare. Medigap premiums would also increase.

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