



April 11, 2023

Jonathan Blum
Principal Deputy Administrator & Chief Operating Officer
Centers for Medicare & Medicaid Services
U.S. Department of Health and Human Services
200 Independence Avenue SW
Washington, D.C. 20201

Dear Principal Deputy Administrator Blum:

Thank you again for meeting with the Partnership for Quality Home Healthcare and the National Association for Homecare & Hospice on March 9th of this year. We very much appreciate you taking the time to speak with our organizations on the critical issues impacting the home health sector. We are writing to follow up with you on one of these issues which is of great concern to home health providers and impacts care delivery for the patients we serve. This issue concerns workforce challenges related to the present staffing shortages and the increased labor costs for healthcare workers which adversely impacts providers' ability to maintain the staffing levels necessary to deliver care to all that need it. In this letter we present some potential solutions to this problem for your consideration. While we recognize that many providers across the healthcare system are experiencing these same challenges, the impact to home health providers is even more acute as more than 75 percent of costs are labor related.

We appreciate your acknowledgement of the widespread workforce challenges impacting the health system and the agency's desire to address the issue. These challenges, associated with staffing shortages and dramatic increases in labor costs for nurses, clinicians, and other staff in 2021 and 2022, have had a substantial impact on the home health sector. Home health providers are currently facing increased demand for services resulting from staffing shortages, reduced capacity, and staff turnover from employer competition. This comes at a time when home health providers are seeing significant reimbursement constraints arising from Medicare, including reductions in fee-for-service payments, and increasing Medicare Advantage enrollment with its comparatively low payments. In addition, Medicaid payments generally do not cover the cost of care. These reimbursement constraints further erode home health providers' competitiveness in the labor market and ability to maintain staffing. The result is that fewer beneficiaries are currently able to obtain home health services. Current data trends

on reduced home health admissions and conversion from hospital stays to home health care bear this out.

As a follow up to our discussion of workforce challenges, The Partnership and NAHC offer a potential policy solution that would help to address the present workforce concerns. Public data from the Centers for Medicare & Medicaid Services' (CMS') Office of the Actuary¹ demonstrate that the actual price inflation experience in the market was not reflected in the forecasts of the market basket updates applied for home health payments in CYs 2021 and 2022. Historically, the market basket forecasts used by CMS to update home health payments have been relatively accurate over time, however, the more recent volatility in the economy and unprecedented surge in labor costs during 2021 and 2022 was beyond what CMS' forecast methodology could accurately account for. As shown in the table below, the forecast error in the home health market basket for CYs 2021 and 2022 resulted in a shortfall in the annual payment rate updates for those years of 5 percent.²

Home Health Market Basket for 2021 & 2022 – Forecast versus Actual

Year	Forecast/Update	Actual	Shortfall
2021	2.3%	4.2%	1.9%
2022	3.1%	6.2%	3.2%
Cumulative			5.1%*

*The actual cumulative compounded forecast error over the two-year period is 5.3 percent.

As CMS contemplates policies for inclusion in the home health prospective payment system (PPS) proposed rule for CY 2024, we ask that CMS consider methods to ensure the accuracy of its market basket forecasts for future updates so that payment rates are accurate and reflect the rising costs of care delivery. With respect to CY 2021 and 2022, we believe the unprecedented magnitude of the forecast error over these two years warrants special consideration to avoid significant long-term underfunding of the home health benefit and to help address current workforce challenges. The Partnership and NAHC ask that CMS use its authority to implement a one-time forecast error correction for 2021 and 2022 to account for the significant shortfall in those years. This correction would be applied to CY 2024 payment rates based on the best data available at the time of the proposed rule.

CMS has applied a forecast error correction policy in Medicare previously, most notably for skilled nursing facility (SNF) payments in fiscal year (FY) 2004 where the policy was adopted in large part because prior updates (FYs 2000 through 2002) did not reflect unexpectedly higher

¹ <https://www.cms.gov/research-statistics-data-and-systems/statistics-trends-and-reports/medicareprogramratesstats/marketbasketdata>

² We note that the percentage for 2022 reflects the most recent publicly available forecast data. Though expected to be final before publication of the CY 2024 Proposed Rule, the actual percentage increase in the market basket for 2022 is not yet final .

labor expenses. The cumulative shortfall in the SNF updates preceding the implementation of the policy was 3.26 percent, significantly less than the current 5 percent shortfall for home health providers.

We recognize that the forecast correction policy for SNFs is a permanent policy. However, we believe that efforts by CMS to refine their forecast methodology in the future, and application of a one-time correction to account for the significant forecast error in CYs 2021 and 2022, will help address both short and long-term concerns related to the underfunding of home health payments. The additional funding levels will help providers to hire and retain staff and be competitive in their local labor markets. More importantly, such a policy will support improved access to care as Medicare's payments will more accurately reflect the current costs of these critical in-home services which millions of beneficiaries depend on each year. Accordingly, we recommend that CMS advance a proposal for a one-time forecast error correction for CYs 2021 and 2022 in the upcoming proposed rule.

Thank you again for meeting with us and for your consideration of this proposal. We appreciate your many efforts on behalf of health care providers and beneficiaries.

Sincerely,



Joanne Cunningham
Chief Executive Officer
Partnership for Quality Home Healthcare



William Dombi, Esq.
President and CEO
National Association for Home Care and Hospice