

TESTIMONY
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Ohio Senate Finance Committee
May 18, 2011

Chairman Widener, Ranking Minority Member Skindell, members of the Finance Committee, thank you for the opportunity to speak to you today about home care services under the Medicaid & Medicaid Waiver programs.

Ohio’s National Ranking in Long-Term Care Provision

Previous research done by myself and others has clearly established that long-term care provision in a home or community based setting is both significantly less costly than nursing facility care (which is typically 3-4 times as expensive as home care) and also preferred by the vast majority of Ohioans. Consequently, it is widely agreed that rebalancing long-term care in a manner that increases the degree to which Ohio utilizes home and community based care providers is a win-win for both the state’s budget and those Ohioans who will receive care in their preferred setting.

However, despite recent improvements, Ohio continues to lag behind the rest of the nation in terms of the degree to which long-term care services are provided in a home or community based setting as opposed to an institutional (nursing facility) setting. According to the most recent data prepared by the Kaiser Family Foundation, Ohio currently ranks 44th among the 50 states in terms of the percentage of 2009 Medicaid long term care spending devoted to home and community based care provision. Ohio is currently ahead of only Illinois, Alabama, Arkansas, New Jersey, North Dakota and Mississippi. The table below provides a summary of Ohio’s rankings on Medicaid Home and Community Based Services (HCBS) Long Term Care spending.

Table 1: Ohio Medicaid Long Term Care Spending on Home and Community Based Services as Compared to the National Average, 2004-2009

Year	Ohio Rank Nationally	Ohio HCBS Spending %	U.S. Average HCBS Spending %	Ohio vs. U.S. Avg. HCBS Spending Gap
2004	48 th	21.9%	37.3%	15.4% pts
2005	49 th	23.6%	39.1%	15.5% pts
2006	44 th	28.2%	40.9%	12.7% pts
2007	46 th	27.7%	40.1%	12.4% pts
2008	44 th	30.0%	41.6%	11.6% pts
2009	44 th	31.9%	43.3%	11.4% pts

Source: Kaiser Family Foundation StateHealthFacts.org

Table 1 shows that Ohio has improved its utilization of HCBS services from 21.9% of Medicaid long term care spending in 2004 to 31.9% in 2009. Over the same time frame, Ohio has also reduced the gap between the state’s HCBS spending percentage and the national average percentage from 15.4 percentage points to 11.4 percentage points. However, despite these improvements, Ohio still ranks near the bottom nationally in HCBS Medicaid spending on long term care.

The Impact of Ohio's Changing Demographics

Table 2 shows US Census population estimates for persons in selected age groups over the period from 2000 through 2030.

Table 2: Ohio Population in 2000 and Census Bureau Population Projections for 2010, 2020, and 2030 for Selected Age Groups

	2000	2010	2020	2030
Under 18	2,888,339	2,744,431	2,703,516	2,640,671
18 – 24	1,056,544	1,093,946	991,176	981,836
25 – 64	5,900,500	6,150,823	5,970,902	5,570,999
65 – 69	402,668	457,578	628,434	631,200
70 – 74	387,584	358,507	509,536	594,033
75 – 79	325,468	288,397	337,775	471,118
80 – 84	215,241	235,351	230,152	338,174
85+	176,796	247,148	272,567	322,497
Total 65+	1,507,757	1,586,981	1,978,464	2,357,022
Total Population	11,353,140	11,576,181	11,644,058	11,550,528

Source: US Census Bureau, Population Pyramids, 2005

The population of persons age 65 and up will increase from about 1.5 million to about 2.36 million over this period. This amounts to an increase of about 850,000 persons. ***In percentage terms, persons in the 65 and older age group will increase from about 13% of Ohio's population in 2000 to 20% in 2030.*** This rapid increase in the 65 and over population in Ohio further accentuates the need to rebalance Ohio's delivery of long-term care services.

Table 2 also shows that the percentage of Ohioans in the 25-64 age range is expected to fall from 52.0% in 2000 to 48.2% in 2030. These percentages are important because these individuals will provide the pool of caregivers for Ohio's elderly.

Using the term "elderly" to mean persons who are 65 years of age or older, Figure 1 summarizes the projected increases in Ohio's elderly population by highlighting the comparison between 2000 and 2030. Figure 2 depicts a ratio relating the population of "caregivers" (those age 25-64) to the number of elderly (those 65 and older).

Figure 1:

Ohio: Comparison of Elderly Population in 2000 and Projected Elderly Population in 2030

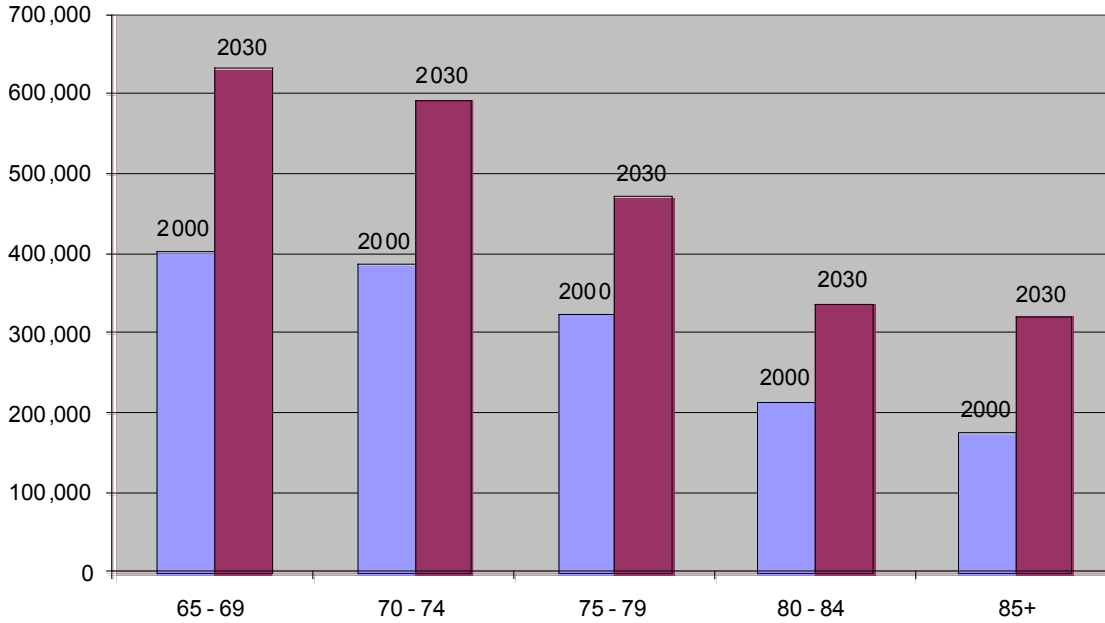


Figure 2

Ratio of Projected Population of Caregivers to Projected Elderly Population in Ohio - 2000 - 2030

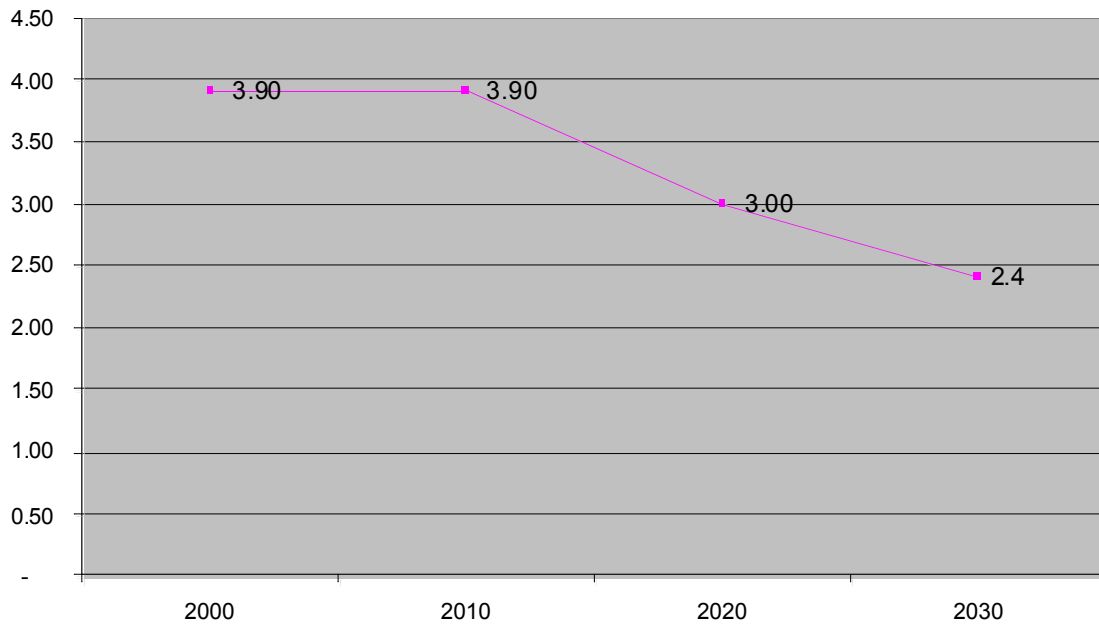


Figure 2 illustrates that the number of potential caregivers in the age 25 to 64 population will decline from 3.9 per elderly person in 2000 and 2010 to 2.4 per elderly person in 2030. Clearly, this combination of demographic changes will create stress on Ohio's systems for providing long term care services.

How does Ohio Home Care Rates Compare to Surrounding States?

Table 3: Comparison of Medicaid Reimbursement Rates for Home Health and Related Services in Ohio and Ohio's Neighboring States - 2008

Neighboring State	Skilled Nursing	Home Health Aide
Michigan	\$80.98	\$51.72
West Virginia	\$91.53	\$51.25
Indiana	\$68.01	\$49.05
Pennsylvania	\$77.00	\$45.00
Kentucky	\$87.15	\$34.12
Ohio	\$54.95	\$24.00
Neighbor State Average	\$80.93	\$46.23
Ohio Rank Nationally*	36 of 40	32 of 40

Source: 2008 State Medicaid Reimbursement Rate Survey

* Not all states had an entry for all services. The last row on the table shows Ohio's approximate rank from among the states with an amount shown for each service.

Table 3 shows, that Ohio's reimbursement rates for skilled nursing and home health aide services are significantly lower than are the rates in surrounding states. For skilled nursing services Ohio's rate is 68% of neighboring state average (meaning that Ohio's reimbursement rate is 32% lower than the average rate in the five neighboring states. Ohio's skilled nursing rate ranks 36th of the 40 states for whom data was reported in 2008. For home health aides, Ohio's rate is 52% of the neighboring state average (48% lower). Ohio's home health aide rate ranks 32nd of 40 states nationally.

Home Care Reimbursement Rate History vs. Proposed Cuts

The data presented in the first two parts of this testimony make it very clear that Ohio needs to rebalance its provision of Medicaid long term care services, not just in order to address current budget problems, but also to forestall even larger budget problems in the future as a result of Ohio's aging population. In this regard, the FY12-13 Executive Budget takes significant steps towards accomplishing this rebalancing, forecasting a 16.5% increase in PASSPORT, Assisted Living, Choices and PACE caseloads over the biennium. At the same time, however, the Executive Budget also calls for an 11% reduction in home health nurse reimbursement rates, a 6% reduction in home health aide reimbursement rates, and a 3% reduction in PASSPORT provider rates.

Table 4 below provides a summary of skilled nursing and home health aide reimbursement rates from 1998 through 2011.

Table 4: Reimbursement Rates for Home Health Nurses and Aides, 1998-2011

Year	Skilled Nursing Services		Home Health Aide	
	Base Rate	% Change	Base Rate	% Change
1998	\$55.00	--	\$24.00	--
1999	\$55.00	0.0%	\$24.00	0.0%
2000	\$55.00	0.0%	\$24.00	0.0%
2001	\$55.00	0.0%	\$24.00	0.0%
2002	\$55.00	0.0%	\$24.00	0.0%
2003	\$55.00	0.0%	\$24.00	0.0%
2004	\$55.00	0.0%	\$24.00	0.0%
2005	\$55.00	0.0%	\$24.00	0.0%
2006	\$55.00	0.0%	\$24.00	0.0%
2007	\$55.00	0.0%	\$24.00	0.0%
Proposed 2008	\$56.65	3.0%	\$24.72	3.0%
Proposed 2009	\$58.35	3.0%	\$25.46	3.0%
Actual 2008	\$55.00	0.0%	\$24.00	0.0%
Actual 2009	\$56.65	3.0%	\$24.72	3.0%
2010	\$54.95	-3.0%	\$23.98	-3.0%
Jan-Sept 2011	\$54.95	0.0%	\$23.98	0.0%
October 2011	\$48.93	-11.0%	\$22.50	-6.2%

The data in Table 4 show that Ohio home health nurses and aides did not receive a rate increase from 1998 through 2008. Over this same time frame, reimbursement rates for Ohio's nursing facilities were increased on a regular basis. HB 119, the FY08-09 budget was supposed to enact 3% rate increase in FY08 and FY09, however one of these rate increases was eliminated and the other delayed as result of the recession. Furthermore, while the 2009 rate increase was enacted, it was later rescinded, leaving skilled nursing and home health aide reimbursement rates in 2010 slightly below their levels in 1998. Finally, Table 4 shows that the 3% rate reduction proposed in the Executive Budget and scheduled to take effect in October 2011 would reduce the skilled nursing base rate to \$48.93 and the home health aide base rate to \$22.50. By comparison, if the 1998 rates were increased in accordance with the Consumer Price Index, the rate at the end of 2010 would have been \$71.83 for skilled nursing services and \$31.34 for home health aide services.

Table 4 shows, that both the skilled nursing and home health aide reimbursement rates are scheduled to be decreased in HB 153 from the current rates. The proposed skilled nursing rate of \$48.93 for the first hour of service is an 11% decrease from the rate shown above and the home health aide rate of \$22.50 for the first hour of service is a 6.2% decrease from the rate shown above. The percentage reductions are shown for visit lengths from 1 to 4 hours in Table 5 below.

Table 5: Current and Proposed Medicaid Home Health Care Reimbursement Rates for Visit Lengths of 1 to 4 Hours

Visit Length	Skilled Nursing Services			Home Health Aide		
	Current Rate	Proposed Rate	% Change	Current Rate	Proposed Rate	% Change
1 hour	\$54.95	\$48.93	-11.0%	\$23.98	\$22.50	-6.2%
2 hours	\$77.71	\$71.69	-7.7%	\$35.98	\$34.50	-4.1%
3 hours	\$100.47	\$94.45	-6.0%	\$47.98	\$46.50	-3.1%
4 hours	\$123.23	\$117.21	-4.9%	\$59.98	\$58.50	-2.5%

Table 6 shows that PASSPORT Personal Care rates from 2006 through the present. PASSPORT rates were increased in 2007 and 2008 and were also increased several times prior to 2006 (this data could not be compiled in time for this hearing but can be provided at a future date).

Table 6: Reimbursement Rates for PASSPORT Personal Care Services, 2006-2011

Year	PASSPORT Personal Care	
	Base Rate (per hour)	% Change
2006	\$16.64	
2007	\$17.12	2.9%
2008	\$17.64	3.0%
2009	\$17.64	0.0%
2010	\$17.64	0.0%
Proposed 2011	\$17.12	-3.0%

Conclusion

The concern regarding the coupling of anticipated increases in HCBS services with decreases in provider rates is based on simple economics. One of the most basic tenets of economics is that the supply curve slopes upward. This reflects the fact that in order to increase supply, suppliers will typically require higher prices. The Executive Budget in fact presumes the exact opposite for home care providers that they will somehow be able to deliver more services while being paid less.