

OBAMA BUDGET CONTAINS NUMEROUS POST-ACUTE CARE CUTS

President Obama introduced his fiscal year ("FY") 2015 budget yesterday, and there are many proposed cuts to post-acute care providers. Some of the highlights include a number of bundled payment initiatives, a \$100 co-pay for home health patients not discharged from a hospital and re-admission penalties for skilled nursing facilities ("SNFs") with high hospital re-admissions. This information was provided to the Hall Render Post-Acute Practice Group from John Williams, who leads Hall Render's Federal Advocacy Practice Group from the firm's office in Washington, D.C.

While it is virtually certain that many of the proposals will not become law, it should serve as a warning to the post-acute provider community that bundled payments and re-admission penalties are gaining steam and will be implemented at some point. The proposed cuts in the President's budget will also be part of the debate over how to pay for the SGR repeal and other spending programs.

Below is an overview of the proposed post-acute provisions in the President's budget.

SNFS

- Lower the inflationary update to Medicare rates by 2.5% in FY15, which over time would taper to a reduction of 0.97% by FY22. (\$97.86B/10 years in FY15 budget; \$79.04B/10 years in FY14 budget; \$56.67B/10 years in FY13 budget; \$32B/10 years in Sept. 2011 plan)
- Lower SNF payments for those facilities with high rates of preventable hospital re-admissions. (\$1.86B/10 years in FY15 budget; \$2.21B/10 years in FY14 budget; \$2B/10 years in FY13 budget; \$2B/10 years in Sept. 2011 plan)
- Gradually cut over three years Medicare's bad debt allowance to hospitals *and* nursing homes to 25% of Medicare rate from 65%, starting in FY15. (\$30.82B/10 years in FY15 budget; \$25.49B/10 years in FY14 budget; \$25.8B/10 years in FY13 budget; \$20B/10 years in Sept. 2011 deficit reduction plan)
- Bundle post-acute care services, starting in 2019, so that bundled payments would occur for at least half of the total payments for post-acute care providers and that rates would be based on patient characteristics and other factors so that a permanent and total cumulative adjustment of -2.85% would occur by 2021. (\$8.68B/10 years in FY15 budget; \$8.16B/10 years in FY14 budget; listed but no estimate in FY13 budget)
- For the second year in a row, the President did not propose simplifying the Medicaid federal matching formula to create a single matching percentage for the states or gradually reducing the amount states' Medicaid provider taxes can count toward the federal government's Medicaid contribution.

HOME HEALTH

- Lower the inflationary update to Medicare rates by 1.1% annually, starting in CY15. (\$97.86B/10 years in FY15 budget; \$79.04B/10 years in FY14 budget; \$56.67B/10 years in FY13 budget; \$32B/10 years in Sept. 2011 plan)
- Set a \$100 co-pay for home health services for those patients not discharged from a hospital or another post-acute care facility, starting in 2018. (\$820M/10 years in FY15 budget; \$731M/10 years in FY14 budget; \$350M/10 years in FY13 budget; 400M/10 years in Sept. 2011 plan)
- Bundle post-acute care services, starting in 2019, so that bundled payments would occur for at least half of the post-acute care providers and that rates would be based on patient characteristics and other factors so that a permanent and total cumulative adjustment of -2.85% would occur by 2021. (\$8.68B/10 years in FY15 budget; \$8.16B/10 years in FY14 budget; listed but no estimate in FY13 budget)

LONG-TERM CARE HOSPITALS

- Lower the inflationary update to Medicare rates by 1.1% annually, starting in FY15. (\$97.86B/10 years in FY15 budget; \$79.04B/10 years in FY14 budget; \$56.67B/10 years in FY13 budget; \$32B/10 years in Sept. 2011 plan)

- Bundle post-acute care services, starting in 2019, so that bundled payments would occur for at least half of the post-acute care providers and that rates would be based on patient characteristics and other factors so that a permanent and total cumulative adjustment of -2.85% would occur by 2021. (\$8.16B/10 years in FY14 budget; listed but no estimate in FY13 budget)

DME

- Limit federal reimbursement for a state's Medicaid spending on DME to what Medicare would have paid in that state. In previous budgets, the proposal was to cut Medicaid DME payments to Medicare competitive bidding rates. (\$3.135B/10 years in FY15 budget; \$4.483B/10 years in FY14 budget; \$3B/10 years in FY13 budget; \$4.2B/10 years in Obama's Sept. 2011 plan)

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