

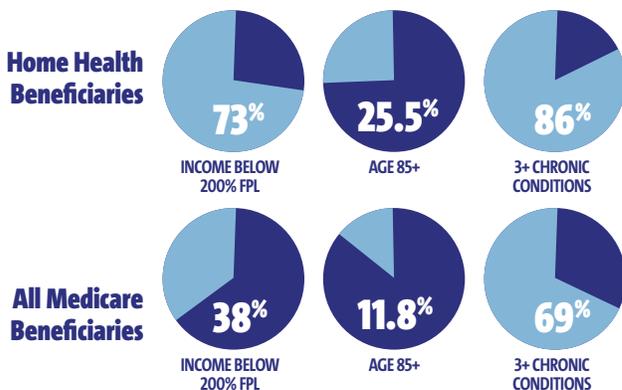
# Out-of-Pocket Cost-Sharing: Important Considerations for Medicare Home Health Beneficiaries

The Medicare Part B home health benefit originally included a 20 percent copayment on beneficiaries. Recognizing that it posed a serious “financial burden to many elderly persons living on marginal incomes” and was causing many seniors to go to more expensive facilities for care, Congress repealed the cost-sharing requirement in 1972.<sup>1</sup>

As Congress contemplates whether to re-impose such a policy on Medicare home health beneficiaries, it is important that a number of factors be considered, including whether such a policy would be financially sustainable for beneficiaries, whether it would be effective in reducing Medicare costs, and whether other policy solutions — such as targeted program integrity reforms — would be more effective in reducing taxpayer costs without harming senior citizens.

## RE-IMPOSING HOME HEALTH COSTS WOULD IMPACT MOST VULNERABLE SENIORS

Medicare home health beneficiaries are poorer, older and sicker than the Medicare population as a whole.



Nearly 40% of non-dual eligible Medicare home health patients do not have additional coverage and would be responsible for the full copayment.<sup>2</sup>

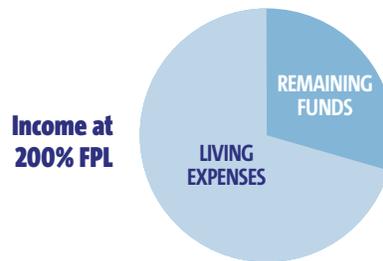


Of these patients, nearly three in four have incomes **below 200% of the federal poverty line (FPL)**, which equals an annual income of less than \$22,340 for a household of one.

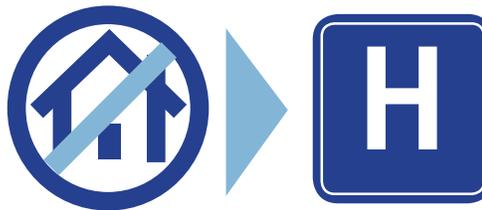


## RE-IMPOSING HOME HEALTH COSTS WOULD IMPACT BOTH PATIENTS AND TAXPAYERS

The average annual cost of living for low-income beneficiaries is \$15,648.<sup>3</sup> As a result, cost-sharing would consume a significant share of vulnerable seniors’ remaining funds for the year.



As reported in the *New England Journal of Medicine*, increased cost-sharing has resulted in higher treatment costs as Medicare beneficiaries forego lower-cost outpatient and home-based care and instead experience increased hospital admissions and inpatient days.<sup>4</sup>



Therefore, cost-sharing policies created to reduce utilization of services can actually lead to higher inpatient costs.



The potential rise in inpatient care could result in a significant increase in Medicare spending in other settings if a home healthcare copayment is required.

1. Congressional Record, United States Senate; October 5, 1972  
 2. A Home Health Copayment: Affected Beneficiaries and Potential Impacts, Avalere Health LLC, May 2013  
 3. Avalere analysis of the 2010 Bureau of Labor Statistics Consumer Expenditure Survey for all households with at least an individual age 65 or older and annual income below 200% of the Federal Poverty Limit.  
 4. Trivedi, Amal N., Husein Moloo and Vincent Mor. “Increased Ambulatory Care Copayments and Increased Hospitalization among the Elderly.” *New England Journal of Medicine* 362 (2010): 320-328.  
 5. Potential Impact of a Home Health Copayment on Other Medicare Spending, Avalere Health, July 2011.