



**Visiting Nurse
Regional Health Care System
(VNR Home Care Services)**

**Testimony
To
New York State Division of the Budget**

**Brooklyn Borough Hall
Thursday, November 29, 2007**

Distinguished panel members, I thank you for the opportunity to provide input as you craft a state spending plan for the coming fiscal year. I am Maxine Hochhauser, President and CEO of VNR Home Care Services, a non-profit home care system providing care to nearly 13,000 patients each year in New York City's five boroughs and Westchester County. VNR is comprised of two Certified Home Health Agencies (CHHAs) and two Long-Term Home Health Care Programs (LTHHCPs).

As you know, Governor Eliot Spitzer and other health policy makers have emphasized a desire to change the model of long-term care given to the infirm, elderly and frail in our state from an institution-based model to one centered around the person, with care being provided in the home and in the community. This is precisely the kind of care VNR has been delivering since 1804, when its member agency, the Visiting Nurse Association of Brooklyn, was first established.

Thanks to technological developments, more care can now be delivered in the home than ever before. We are able to provide rehabilitative and restorative therapy at home and can monitor and manage chronic disease and illness in the home. We can help patients leave the hospital sooner and recover in the comfort of their home with the supportive care of family and friends. And, we can help seniors delay or avoid entering a nursing home with the help we provide at home.

It is impossible to place a dollar value on avoided hospitalizations, prevented nursing home placements, physician office visits that did not occur and improved health due to management of chronic illness. However, in terms of patient quality of life and satisfaction, it is invaluable.

That is why I implore you not to cut Medicaid payments to home health providers as you look for cost savings in the 2008-2009 state fiscal year budget. Medicaid payments to home health providers are already inadequate and make up a very small piece of the state's Medicaid budget. Cutting Medicaid will mean forcing us to cut the programs and services we offer to patients. VNR is currently operating at a break-even level. If we face payment cuts, we will simply not have the resources available to meet the growing expectations of policy makers and, more importantly, of the people we serve. We will have to cut services and programs.

It is vitally important that home care agencies receive an inflationary, or trend factor, update each year. We face skyrocketing costs for labor, health benefits, supplies, transportation, equipment and technology that are increasing at a higher rate than inflation. Our most expensive budget item is labor, as we operate in a hands-on, person-to-person industry where our most important asset is our staff of caregivers: nurses, therapists, social workers and the like.

Medicaid payments are based on two-year-old cost reports. In the lag between the time the cost report was filed and the present, we have given our staff raises of three percent each year. If the trend factor is eliminated, we are set back by six percent on salaries. We cannot take the raises back. And, we cannot forego annual raises because we must

provide them to remain competitive in our benefits so that we can retain our nurses. Our only option, then, is to cut back.

Because of our ever-increasing labor costs, we also rely heavily upon state Home Care Workforce Recruitment and Retention funding to help us maintain the highest quality workforce possible. I ask that you preserve this funding in the upcoming budget. If we are to decrease the size of nursing homes and reduce the number of hospital beds in favor of more community-based care, VNR will have to recruit more nurses to meet the needs of an expanding caseload and these funds will be more important than ever.

Because of the nursing shortage, we are constantly trying to recruit qualified nurses to meet the needs of home care patients in our region. There are simply not enough nurses available to meet the demand for them. I urge you to consider alternatives that would help save providers money while still meeting the needs of patients, such as reducing the administrative burden on nurses and examining scope of practice issues to identify tasks that could appropriately be completed by a health care professional that is not a nurse.

Our patients' acuity becomes more severe each year. This is because patients are being discharged from hospitals more quickly, avoiding nursing home placement longer and are getting older. The number of "very old" patients, those over age 85 who require a greater level of services, will continue to grow as baby boomers age. We need to be able to care for these people in their homes for as long as is safe and reasonable. Patients can now leave the hospital shortly after surgery and rehabilitate at home. Individuals with debilitating conditions who once were confined to a nursing home now stay in their home with the support of nursing and home health aide services. Therefore, the overall acuity of the patient population has increased dramatically in the past decade.

We are moving forward in investing in technologies that help to alleviate our labor shortage and our cost concerns. By investing in technology, we can provide care to more patients with fewer staff nurses without compromising quality. However, the initial outlay of capital is significant and our ability to invest in these technologies has thus far been limited. Any further reduction in payments will severely restrict our ability to provide more chronic disease management and patient condition monitoring via telehealth. This would indeed be a step backward for us.

Our financial condition is largely due to inconsistent payment practices. Payments for home health services must more accurately reflect the actual cost of care. All payers – government and private alike – must pay their fair share. We can not look to the federal government to make up for the state share or vice versa. All payers must contribute.

The federal government currently has two proposals on the table that would reduce payments to home care agencies. Home care has endured Medicare payment cuts and payment freezes in seven of the last 10 years. Home care as a share of Medicare payments has decreased from 8.7 percent in 1997 to just 3.2 percent today.

Now the federal government is considering a regulatory cut in Medicare home health payments of 11.75% over the next four years, paired with a proposal to freeze the inflationary update, which is essentially another three percent payment cut. The combined impact of these two proposals on our agency is approximately a \$6 million loss each year.

With a potential \$6 million in cuts from the federal government and the possibility that the state will also cut, we have been forced to develop a grim contingency plan. Even though we have identified programs that should be developed or expanded to meet community need, we cannot start or grow those programs until we know whether or not we will have the resources to do so. Worse yet, if these cuts happen, we will have to cut programs that are currently in place.

As a not-for-profit provider, it is our mission to care for our community regardless of a program's profitability. However, it is impossible to provide home care without the resources to pay for staff, transportation, supplies, equipment and other services. Any cuts in funding will mean cuts in programs. There is simply no other way to close the gap. This will, in turn, mean more hospitalizations and nursing home placements, which is exactly the opposite of stated policy initiatives.

I sincerely hope that you will carefully evaluate the impact of any Medicaid cuts on the population we serve and reject the notion of making any cuts to payments for home health. We provide a vital service in a setting that is most beneficial and preferable to both the people in our care and to the Medicaid system.

I am available to answer any questions you may have and to work with you in providing any information that would be helpful in developing the right proposals for home care patients in our state. Thank you for the opportunity to share my concerns this evening.