



Highlights of [GAO-03-878](#), a report to congressional committees

Why GAO Did This Study

Under Medicare's prospective payment system (PPS), home health agencies receive a single payment, adjusted to reflect the care needs of different types of patients, for providing up to 60 days of home health care. Some home health industry representatives have suggested that certain nonroutine medical supplies (such as wound-care dressings) should be excluded from this payment and reimbursed separately because of their high cost. The Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000 required GAO to examine home health agency payments for nonroutine medical supplies and recommend whether payment for any such supplies should be excluded from the PPS.

What GAO Recommends

GAO recommends that CMS collect and analyze the data necessary to determine whether Medicare's home health payments appropriately reflect the differences in nonroutine medical supply costs across types of patients. If any problems are identified, CMS should modify the PPS and, if necessary, seek statutory authority to exclude certain nonroutine medical supplies from the home health payment. CMS agreed with GAO's first finding and stated that it was collecting the necessary data to evaluate Medicare payments.

www.gao.gov/cgi-bin/getrpt?GAO-03-878.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Laura A. Dummit (202) 512-7119.

MEDICARE HOME HEALTH PAYMENT

Nonroutine Medical Supply Data Needed to Assess Payment Adjustments

What GAO Found

Although Medicare's home health payment includes the average costs of nonroutine medical supplies, adjusted payments may not reflect variation in supply costs across types of patients. Further, home health agencies can be paid the same amount for treating patients with quite different supply costs. This means that under the PPS, patients who require costly supplies may have problems accessing home health care and the agencies that treat them may be financially disadvantaged. This is of particular concern for patients who have nonroutine medical supply needs that are easily identified prior to admission or who require supplies for which there are no lower-cost alternatives.

Excluding certain nonroutine medical supplies from the home health payment and reimbursing them separately would help ensure that patients have access to these supplies and that agencies are protected financially for providing them. At the same time, this would weaken the cost-control incentives of the PPS as well as increase patient out-of-pocket costs. Such a policy might be warranted, however, for nonroutine medical supplies that are high-cost, relative to the total payment, and infrequently used because the payment adjustment to account for differences in patient needs may not be adequate to compensate a home health agency for providing these supplies.

Patient care representatives suggest that an additional category of supplies should be excluded from the payment and reimbursed separately, namely those that a patient had been using prior to home health care to treat an ongoing condition. Clinical experts indicated that care has been disrupted for some patients who require these kinds of supplies because some home health agencies have required patients to switch supplies or limited the supplies provided to them. Although the Centers for Medicare & Medicaid Services (CMS) has asked home health agencies to report information on nonroutine medical supply use and cost, they have not done so. Without this patient-specific supply data, CMS does not have the ability to determine whether the PPS needs to be adjusted to account for nonroutine medical supply costs or whether certain supplies should be excluded from the payment.