DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of the Secretary

Washington, D C 20201

JAN 1 1 2008

The Honorable Richard B. Cheney
President of the Senate
Washington, DC 20510

Dear Mr. President:

Section 702 of the Medicare Prescription Drug, Improvement, and Modernization Act (MMA) of 2003 mandated that the Centers for Medicare & Medicaid Services (CMS) undertake a demonstration in which Medicare beneficiaries with specified chronic conditions are deemed to be homebound for purposes of meeting Medicare's criteria for receiving home health services. Section 702(e) of the MMA required the Secretary to collect data on effects of the demonstration on quality of care, patient outcomes, and any additional costs to the Medicare program. The law also required the Secretary to report to Congress, addressing the results of the project and, specifically, any adverse effects on the provision of home health services, and any increase (absolute and relative) in Medicare home health expenditures directly attributable to the demonstration, including the evidentiary basis for this finding. The report was to include "specific recommendations to exempt permanently and severely disabled homebound beneficiaries from restrictions on the length, frequency, and purposes of their absences from the home to qualify for home health services without incurring additional costs to the Medicare program" (Section 702(f)(3) of the MMA). I respectfully submit this letter to satisfy the reporting requirement.

CMS contracted with Mathematica Policy Research, Inc., of Princeton, New Jersey, to collect and analyze data related to the demonstration. This effort relied on multiple methods, including interviews with a broad range of sources, a survey of home health agencies in the demonstration states, and analysis of Medicare claims and routinely collected assessment data. The contractor's technical report can be accessed at www.cms.hhs.gov/Reports/downloads/homebound.pdf.

The demonstration was designed to study the costs and benefits of deeming patients who met six criteria to be homebound without regard to the length and frequency of home absences. The criteria were that the patient:

- Have a permanent and severe, disabling condition that is not expected to improve (and a physician certifies this status);
- Need permanent help with at least three of five activities of daily living (ADL) (including bathing, dressing, eating, toileting and transferring);
- Need permanent skilled nursing care (other than medication management);
- Need daily attendant visits to monitor, treat or provide ADL assistance;
- Require assistance (human or technological) to leave home; and
- Not work outside the home.

CMS conducted the demonstration in Massachusetts, Colorado, and Missouri from October 2004 to October 2006, during which it undertook extensive education and outreach efforts among providers, beneficiaries, and stakeholders. However, the demonstration officially enrolled only 58 beneficiaries. Participants were disproportionately younger than age 65, male, and Caucasian, compared to Medicare home health users generally. About half came from Missouri. The 25 agencies that enrolled participants, out of nearly 400 agencies operating in the demonstration states in 2005, disproportionately represented rural, nonprofit, or government agencies.

Information collected pursuant to the Section 702(e) reporting requirements identified a number of barriers that apparently hindered a full test of the demonstration concept:

- A majority of home health agencies declined to participate.
- Some beneficiaries who were offered enrollment declined to participate.
- The extensive eligibility criteria of Section 702 of the MMA could have targeted a population too severely disabled to take advantage of the demonstration.
- Identifying the medical services that meet the definition of a "permanent skilled need" was a likely barrier.
- Clarifications to the homebound eligibility criteria under Section 507 of the Medicare, Medicaid, and SCHIP Benefits

Improvement and Protection Act (BIPA) of 2000 likely reduced their restrictiveness, as a practical matter.

Data limitations, due to the small number of participants, precluded us from conducting a reliable study of costs and benefits of deeming the target population homebound. Based on experiences of the participants, Medicare expenditures on home health services while they were enrolled in the demonstration were high, but we have no valid and reliable information about possible offsetting cost savings elsewhere in the Medicare program, impacts on quality of care, and long-term outcomes. The complex set of barriers to enrolling beneficiaries in the demonstration are an indication that successful adoption of the eligibility change envisioned in the legislation faces serious impediments.

The Mathematica survey of home health agencies revealed significant misunderstanding of the statutory homebound criteria as modified by the BIPA clarifications. CMS has in the past issued guidance regarding the homebound requirement through various program memoranda and manual instruction. In light of these findings, I am recommending that CMS develop additional educational tools and resources for home health agencies to use when making homebound determinations.

Please accept this letter as the Department of Health and Human Services' Report to Congress. I also will provide this response to the Speaker of the House of Representatives.

Sincerely,

Michael O. Leavitt

DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of the Secretary

Washington, D.C 20201

The Honorable Nancy Pelosi
Speaker of the House of Representatives
Washington, DC 20515

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