

Sioux Valley Hospital Visiting Nurses Association
Home Health Interim Payment System and its
Impact in Rural South Dakota

Introduction

I am Cindi Slack, the Executive Director of the Sioux Valley Hospital Visiting Nurses Association. The Visiting Nurses Association of Minnehaha County was founded in 1966 by interested community members from Sioux Falls, South Dakota who identified the need for access to a Medicare Certified Home Health Agency. In 1996, the Board of VNA identified a need to connect with a hospital system to ensure their long-term survival. In January of 1997, Sioux Valley Hospital acquired governance of this agency.

Message

The Visiting Nurses Association is and has been one of South Dakota's lowest cost providers for many years. According to our calculations, under the interim payment System, on May 1, 1998, the beginning of our fiscal year, the VNA's per beneficiary aggregate limit will be \$1,585.00 which is significantly lower than our actual costs which are already extraordinarily low. Additionally, sources at NAHC and VNA have indicated to me that this per beneficiary aggregate limit is the lowest limit in the country that they have seen to date. This is well below any State or Region census division reimbursement per person (see chart). The effect of the Interim Payment System essentially punishes those agencies that have historically been low cost providers and rewards those agencies with extremely high costs.

Statistics

Our agency currently provides on average 34 visits per patient Our State average is 39.2 visits per patient served. The national average is 75 visits/patient (1995 data). Our current cost is \$77.00 per nursing visit. The national average cost per patient for nursing in 1997 was \$98.00. In calendar year 1993, our cost was \$74.76 per nursing visit. The significance of that change is that our cost per visit increased less than one-half of one percent annually from 1993 to 1997.

Events of Historical Significance

Further details one should be aware of is that the profile of the Visiting Nurses Association in 1993 was one of a provider whose primary service was skilled nursing and home health aide visits. Very few physical therapy or occupational therapy visits were made and there were no speech therapy, medical social work or psychiatric nursing visits.

Additionally, the VNA of Minnehaha County served only the residents of Minnehaha County. In 1997, the VNA acquired the Lincoln County Home Health Agency and began providing services from Sioux Falls to our Iowa border through a branch in Vermillion, South Dakota.

Since 1993, much has changed in the State of South Dakota. Not only have home health agencies been effected by the decreased length of stay of patients within the hospital or institutional environments, but

our State was also effected by a policy decision of our Governor, William Janklow. That policy decision privatized home health. As a result of the privatization of home health services, the State of South Dakota ceased to employ nurses to provide skilled nursing services under the Medicare Home Health Benefit and terminated the Statewide coverage of its Medicare Home Health Agency. As a result of that, the counties noted on my map (enclosed) of Brule and Lyman had no home care provider. The Visiting Nurses Association met the needs of that population and expanded to provide services in a branch office located in Chamberlain, South Dakota. This branch office now facilitates not only the skilled nursing services for those two counties, but also facilitates the public health function for those counties along with the WIC Program. Additionally, there were significant and costly changes for the VNA. There are no other providers in Brule and Lyman County. The shaded areas on the map are indicative of two of South Dakota's Indian reservations. Our VNA also serves the Native American population for skilled services that would not be normally provided by Indian Health Services.

Other Rural South Dakota Agencies

I'd also like to reflect on one of my colleagues' data. The issue of the interim payment system is not only of concern to the Visiting Nurses Association in Sioux Falls, South Dakota which serves the Chamberlain and Vermillion areas, but it is also of concern to many of the other rural areas of our State. In a discussion with Chip Rombough, who is the Executive Director of the Hand County Home Health Agency based in Miller, South Dakota, (see attached map) he asked me to share this data with you.

- Their per beneficiary aggregate limit will be \$1,612.00. (In 1993 this agency did not do PT, OT and Psychiatric Nursing and they covered a smaller geographic area. They expanded their geographic area as a part of Governor Janklow's privatizing of home health services).
- Currently, the cost of services in 1997 was \$4.00 higher than the cost of services provided in 1993.
- The majority of clients who are served are women, 85 years and older with comorbid health conditions who are living alone and whose families are located far away.
- In 1993 the average visits per client were 24 and in 1996 were 44.
- Weather creates major increases in cost as staff travels all over Hyde and Hand County.
- Approximate financial loss this year will be \$73,000. This is a 24% reduction in Medicare reimbursement. This became even more problematic as this agency has been operating under the IPS limits and the final IPS per beneficiary limits have not yet been published.
- Consideration is being given to the following action plan:

1st - Discontinue high cost services such as PT, OT and psychiatric nursing.

2nd -Decrease the geographic area covered.

3rd- Decrease by half the number of visits/beneficiary. This will severely restrict access to services in this area.

4th- If something does not change to increase revenue within the 1998 calendar year,

discontinue providing home health as of January, 1999.

Significance

If the Interim Payment System goes into effect as it stands, the VNA and Hand County Home Health agencies face serious financial difficulties, such that it may be necessary to limit our geographic coverage area or discontinue the provision of specific services such as physical therapy, occupational therapy, etc. In the worst case scenario, agencies whose costs have been historically low such as the VNA may have to dissolve. Should these agencies be dissolved there are no providers in our rural counties of Hand, Hyde, Brule, Lyman and Buffalo County. Therefore there will be no access to home health services in this rural area.

At this time I would call your attention to Sioux Falls, South Dakota and the Visiting Nurses Association parent agency in that community. Not only are we the lowest cost provider in our City, but we have had market penetration in our community by an emerging number of new agencies. As a result, if the Interim Payment System goes into place as it is currently planned, then the Visiting Nurses Association will also be effected by the ability of the two newest agencies who will receive the national median reimbursement instead of reimbursement which uses agency specific data, which in our estimation will be somewhere around \$3,900 per patient. Please consider the inequity that is present when a longstanding community agency must compete with new agencies who do not have to be as cost effective as the agencies that have been in existence for a long time. Under the Interim Payment System as currently enacted, new agencies entering the Sioux Falls market will have a per beneficiary limit which is 146% higher than Sioux Valley Hospital VNA. It is simply not rational to consciously create that kind of inconsistency in Federal reimbursement for the same service in the same market.

Solution

The solution to this problem is complex and technical. The optimal solution for the Visiting Nurses Association would be to repeal the IPS and allow HCFA to work aggressively on implementation of the prospective payment system for October 1, 1999 implementation, and to carefully examine the effect of the prospective payment system on cost-effective agencies. The second best solution would be to either leave cost-effective agencies under the current cost limits and not subject them to the per beneficiary annual limit, or to create some sort of blending of national and regional limits which would then level the playing field for the cost-effective agencies. Additionally, we would hope that Congress would consider some of the concepts we understand are being proposed by Senator Collins and by Senator Kennedy. We understand the seriousness of the budgetary problems faced by Medicare, but we sincerely believe that the negative effects of the Home Health Interim Payment System cannot be left unaddressed.

Conclusion

The Interim Payment System has been evidenced to have serious inequities as home health agencies begin to calculate their rates of payment and assess the impact. If unchanged the Interim Payment System will severely restrict home care services for South Dakota senior citizens especially in rural areas. The effects of the Interim Payment System can be felt in agencies in South Dakota and other areas where the conservative approach to management of services has already created a cost-effective environment in which home care is practiced.