

Eliminating Medicare Bad Debt Payments for Skilled Nursing Facilities Poor Public Policy

Skilled nursing facilities (SNFs) often incur unrecoverable debt as a result of unpaid Medicare copayments for care rendered. Approximately 80 to 90 percent of SNF unpaid co-payments are incurred by the poorest and frailest patients – those that are dually eligible for Medicare and Medicaid coverage. Unlike hospitals, nearly all of SNF co-payments are uncollectible since they are owed by state governments, which increasingly are choosing not to pay them.

When Medicaid coverage wraps around Medicare coverage of a service, Medicare pays providers according to its payment methods and rates. In theory, Medicaid pays the associated cost sharing. However, the extent of a state's liability has evolved since passage of the *Balanced Budget Act of 1997* (P.L. 105-33) (BBA). The BBA clarified that state Medicaid programs are not required to pay the full cost-sharing amount so long as their payment policies are written in their state plan. States are free to cap their liability so that providers receive no more than the state would have paid if the beneficiary only had Medicaid. Since the Medicaid payment rates for many states are lower than the total Medicare payment rates (program payment plus coinsurance), and often below the co-payment amount alone, providers caring for dually eligible beneficiaries frequently do not receive the full coinsurance. In general, providers cannot bill the dual eligible for any portion of the coinsurance unless the state charges a nominal Medicaid co-payment for the service.

In the *Deficit Reduction Act of 2005* (P.L. 109-171), Congress lowered the percentage of allowable bad debt for SNFs by 30 percent for non-dually eligible beneficiaries and maintained a 100 percent allowance for bad debt attributable to dually eligible nursing home patients.

However, the National Commission on Fiscal Responsibility and Reform proposed to eliminate bad debt payments for all providers, an estimated cut of \$3 billion in 2015, totaling \$23 billion through 2020. AHCA/NCAL opposes the elimination of these payments, which help provide funding stability for facilities, since a cut of this magnitude would have a severe impact on providers' ability to provide quality care to patients.

Ask Congress...

AHCA strongly opposes the elimination of bad debt reimbursement by Medicare and calls upon Congress to reject any such proposal.

Key Facts

- Approximately 3.2 million Americans received skilled nursing and rehabilitative care in 2008 in one of nearly 16,000 skilled nursing facilities (SNFs) nationwide in 2008.
- Most SNF patients annually, 1.9 million, were Medicare beneficiaries.
- Daily, SNFs care for 1.5 million patients.
- SNFs incur unrecoverable debt due to unpaid Medicare copays.
- Long term care directly employs over 3 million people and contributes to another 2.3 million jobs nationwide.
- A major economic driver, long term care represents 1.3% of the U.S. GDP.

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