

Funding for Quality Nursing Home Care in Jeopardy:

Proposed Elimination of Quality Fee Programs

In place since the 1980's, 37 states and the District of Columbia currently have obtained approval from the Centers for Medicare and Medicaid Services (CMS) to establish a provider tax program – also called a quality fee – to generate additional monies to help fund states' share of program costs. States use the proceeds and corresponding federal matching funds to increase Medicaid rates to nursing homes and more adequately fund quality long term care services for seniors and people with disabilities.

In 2007, CMS, through rulemaking, limited the fee to a maximum of 3% of revenues. Fighting against the limitation in the rule, AHCA successfully secured Congressional direction to lift these restrictions and preserve a 5.5% fee limit until October 1, 2011, at which time the maximum will increase to 6%.

Key requirements for CMS approval of a state quality fee program include the following: (1) The tax must be broad based; (2) The tax must be uniformly imposed; and (3) The tax may not hold providers harmless.

State quality fee programs that cannot meet all of these criteria may also be approved through a waiver process. Approximately seventeen states have received waiver approval from CMS, which acknowledges that the quality fee statute and regulations provide for waiving the broad-based and/or uniformity requirements. However, in structuring a waiver and subsequent Medicaid rate adjustments, providers still must meet the “hold harmless” test. This effectively means providers cannot be guaranteed dollar-for-dollar (or part of a dollar) reimbursement of their tax cost. Obtaining CMS approval of a quality fee that meets this test has proven to be much more subjective with a waiver tax than with a uniform tax.

Status

Recent budget-related proposals would eliminate the quality fee and leave a gaping hole in Medicaid funding for quality long term care. Because states utilize the quality fee to generate additional Medicaid funds, this important program makes more dollars available for states to pay for quality nursing facility care. States struggling with their Medicaid budgets have relied increasingly on the use of quality fees. However, the quality fee is essentially a temporary fix to a Medicaid payment system that underfunds the cost of providing care to seniors and people with disabilities.

Each year, Eljay, LLP, undertakes a study on the shortfall between Medicaid reimbursement to nursing home providers and the state's allowable nursing home costs. The results, representing over 86% of the Medicaid patient days in the country, indicate that nationwide, **the average shortfall in Medicaid reimbursement was \$17.34 per patient per day in 2010 – a 22% increase from 2009, and a 92% increase from 1999.** This means that states pay providers \$17.34 less than the cost of providing the care. Many states use the quality fee to help offset this disparity.

AHCA Proposal

Over the last decade, states have increasingly turned to the use of the quality fee to supplement available funds for care in the wake of state budget shortfalls. AHCA agrees the quality fee is not a long term funding solution and supports major reform of the long term care funding system with a focus on individuals planning for their long term care needs. **However, until the long term care system is reformed and properly funded, AHCA supports keeping the quality fee program in place to generate important funding to pay for long term care for seniors and people with disabilities. AHCA opposes any budget proposal to eliminate or reduce the quality fee.**

AHCA pledges to work with Congress to find creative new solutions to meet the long term care needs of 77 million aging baby boomers.

Ask Congress...
To oppose any legislative proposal that would eliminate the provider tax.

Key Facts

■ **Current States with a Quality Fee Program:** AL, AR, CA, CO, CT, DC, FL, GA, ID, IL, IA, IN, KS, KY, LA, ME, MD, MA, MI, MN, MS, MO, MT, NV, NH, NJ, NY, NC, OH, OK, OR, PA, RI, TN, UT, VT, WV, and WI.

Contact

- MaryAnne Sapio
msapio@ahca.org
202.898.6328
- Reed Franklin
rfranklin@ahca.org
202.898.2805