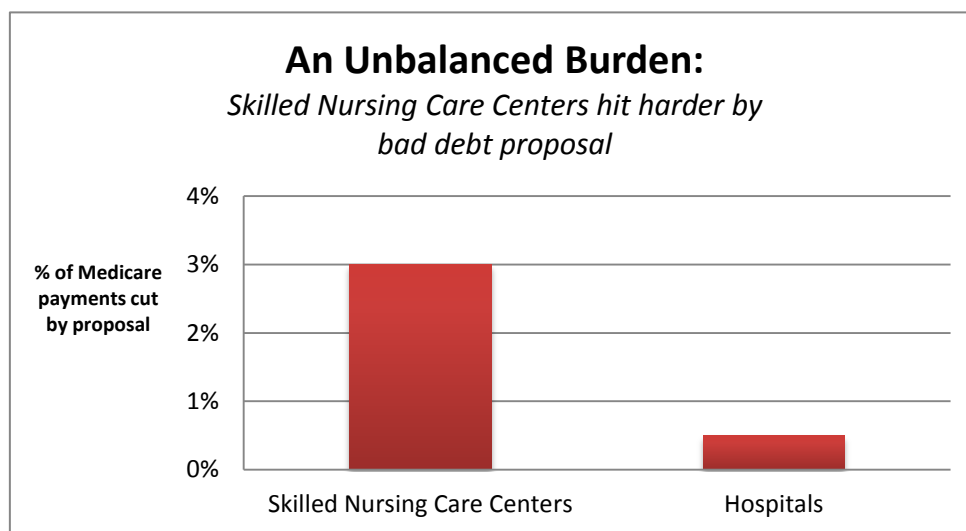


## Key Facts on the Bad Debt Proposal (Section 2224) of HR3630

- **While HR3630, passed by the House on Wednesday, would reduce Medicare “bad debt” payments affects all health care providers, it will have a disproportionate effect on skilled nursing centers.**
- **Hospitals have avenues to collect this debt through the legal system.** Bad debt in hospitals is largely a result of insurance companies failing to pay for treatment or private individuals who cannot pay a Medicare copayment.
- **Unlike hospitals, skilled nursing centers do not have any options for recovering bad debt.** Recovering bad debt is largely a state Medicaid reimbursement issue and there is no recourse for a skilled nursing center to recover any unpaid charges. Bad debt occurs when a nursing facility cannot recover the full Medicare copay for a patient, which kicks in on the 21st day of care. If a nursing facility patient who only qualifies for Medicare fails to pay their copay, the Medicare program will reimburse nursing facilities at 70 percent of that debt. For a dual eligible patient, their copay is reimbursed first to the facility through the Medicaid program. However, states can choose to pay the lesser of two amounts for that person - their usual daily rate or the Medicare copayment. In many states, the daily rate is the lesser amount, and therefore, the nursing home is not fully reimbursed and is able to claim the difference in payments from Medicare.



- **Skilled nursing centers have already been handed multiple rounds of government reductions** through health care reform (1.5% productivity adjustment), federal debt reduction ( 2% sequestration provision) as well as state Medicaid crises and various other regulatory adjustments, all during a sluggish economic recovery.
- **Skilled nursing simply cannot absorb any more cuts with jeopardizing access to care for millions of people.** Last week, The Moran Company released a study finding that nursing facilities were operating on razor thin margins – 0.75 percent on average – demonstrating the dire situation many facilities are facing.

- **HR3630 will disproportionately affect centers in 23 states.** Centers in 23 states will suffer a 2.7%\* cut on average under this provision.

	<b>% Cut in Medicare Payments under Bad Debt Proposal</b>
Louisiana	6.4%
Mississippi	5.5%
Georgia	3.7%
North Carolina	3.6%
Oklahoma	3.4%
Kentucky	3.4%
Tennessee	3.3%
Florida	3.2%
South Carolina	2.9%
Indiana	2.9%
Virginia	2.5%
West Virginia	2.4%
Nevada	2.3%
Ohio	2.3%
New Jersey	2.2%
Pennsylvania	2.2%
Illinois	2.2%
Maryland	2.0%
Washington	2.0%
Colorado	1.9%
Idaho	1.6%
Kansas	1.5%
Iowa	1.2%

*\*The 2.7% figure is based on data from those states that are impacted by HR3630.*

# States' **SLASHED** Funds

*A Look at the Immediate Impact of the Bad Debt Proposal*

