

Block Granting the Medicaid Program Will be Harmful to Long Term Care Residents

AHCA agrees that steps need to be taken to reduce the federal deficit and address the nation's long term debt challenge. But we must tackle the looming federal budget challenges in a careful and deliberate manner that does not undermine the core values of our system to care for those who require long term care and services. The majority of Americans who require long term care depend on Medicaid to pay for their care and this includes almost 64 percent of nursing home patients and almost all those with developmental disabilities as well as approximately 13 percent of those in assisted living today.

Medicaid Block Grants Threaten Care for Frail Seniors and the Disabled

Proposals to block grant the Medicaid program typically end the individual entitlement to long term care services, which means that frail seniors and disabled individuals could be put on waiting lists and have restricted access to coverage. As budget pressures escalate due to the limited rate of growth in the block grant, more and more frail seniors and disabled Americans would find themselves unable to obtain long term care services. In addition to the negative patient care consequences that would result, this would also lead to increased hospitalization rates and other costs incurred elsewhere in the health care system.

Medicaid Already Fails to Fully Cover the Cost of Allowable Long Term Care Costs

While Medicaid is the largest source of coverage for long term care, it already fails to fully cover the cost of nursing home services. According to an independent national study, Medicaid payments were \$5.6 billion short of covering allowable nursing home costs in 2010. For every dollar of allowable costs incurred for a patient in Medicaid, the program only paid 91 cents on average.

Block Granting Medicaid Will Shift Costs to States and Escalate the Underfunding

Proposals that convert the Medicaid entitlement into a block grant tend to eliminate the current formula under which states receive federal dollars based on a set percentage of incurred costs. Instead, block grants provide a fixed dollar amount each year that is based on an arbitrary baseline, which does not take need into account. Under some proposals, that fixed federal dollar amount would increase at a rate that is substantially slower than the rate of even the growth in the number of seniors who need long term care services. Over time, such an approach shifts a greater amount of the cost to states that are already struggling under their own budget pressures and will be unable to absorb these additional costs. Yet, once states spend all their federal funds for a given year because of rising enrollment, rising costs, increased utilization or new technology, there is no new federal funding for that year. This will result in states increasingly underfunding long term care services, which will not be sustainable over time.

There are Alternatives to Medicaid Block Grants

There are a range of opportunities to implement innovative programs that would control Medicaid costs while maintaining or even improving care quality. These include accountable care organizations, bundling, other models that promote care coordination and integrated services, home-and community-based services, models that promote home care, improved health information technology, and value based purchasing.

Request for Congress

Over the years, Congress has taken steps to protect the vulnerable Medicaid population. AHCA strongly believes that these safeguards and protections should continue to be maintained by the partnership developed by the state and federal governments. We urge Congress not to implement block grants, which threaten the entitlement services available to the vulnerable population served under Medicaid.

Ask Congress...

We urge Congress not to implement block grants, which threaten the entitlement services available to the vulnerable population served under Medicaid.

Key Facts

- 64% of nursing home patients and 13% of assisted living residents rely daily on Medicaid for their care.
- Medicaid is the largest payor of long term care services.
- Labor comprises close to 70% of a nursing facility's operating costs.
- 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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