

Protect & Preserve Medicaid Funding for Long Term Care

The majority of Americans who require long term care and services – nearly 64 percent of nursing home patients, virtually all persons with developmental disabilities, and about 13 percent of assisted living residents – rely on Medicaid to pay for their care each day. The largest payor of long term care and services, Medicaid represents a blend of both federal and state dollars paid at a rate set by each state – rates that often fail to cover the actual cost of providing this type of care.

Medicaid's Chronic Underfunding of Skilled Nursing Care

In the absence of a federal statute requiring state Medicaid programs to reimburse for the cost of care, long term care providers continue to struggle with operating costs such as skilled labor and increased use of medical technologies that exceed reimbursements from Medicaid. An independent national study conducted by Eljay, LLP estimates that the national Medicaid shortfall for skilled nursing care was \$17.34 per patient per day less than the actual cost of care in 2010—a 22% increase from 2009, and a 92% increase from 1999. In fact, the Medicare Payment Advisory Commission's (MedPAC's) March 2007 Report to Congress noted, "the Government Accountability Office found that Medicaid's share of patients in a facility influenced the overall margin: The higher the share of Medicaid patient days in a facility, the lower its total margins." Even with a temporary increase in Federal Medical Assistance Percentage (FMAP) funding, which was included in the *American Recovery & Reinvestment Act* (ARRA) and will expire on June 30, 2011, most state Medicaid budgets either froze or cut payments to providers, or limited benefits to cope with the economic downturn.

Home & Community-Based Services Option

AHCA/NCAL believes that individuals should receive essential long term care services in the least restrictive and most appropriate care setting, including home and community-based services (HCBS). We remain concerned, however, about policies that offer little empirical evidence that expanding HCBS would necessarily result in budget savings, or a decreased need for nursing home care. In fact, additional costs may show up in other budget areas such as housing assistance. Also, State Medicaid programs typically reimburse providers below actual care costs and provide insufficient funds to cover assisted living residents' room and board. In states where Medicaid payment rates may not be adequate to cover assisted living and other providers' operating costs, there is unease that HCBS and other programs that have no mechanism to allow for annual cost-of-living increases will find it difficult to keep up with rising costs.

Working Toward Long Term Solutions

With the first of 77 million "baby boomers" beginning to turn 65 years of age, now is the time to take a fresh look at comprehensive, long term care reform. AHCA/NCAL welcomes the opportunity to work with Congress and the Administration on innovative ideas that can address the real challenges ahead in terms of providing quality long term care, while preserving the Medicaid safety net – especially as the new health care insurance reform law expands access to, and reliance on the Medicaid program for millions of Americans.

Ask Congress...

To protect seniors' access to quality long term and post-acute care by creating stability in Medicaid funding for skilled nursing care given the recent significant funding cuts.

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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