

Stable Medicare Funding: Essential for Quality Skilled Nursing Care

Approximately 3.2 million Americans— both older Americans and people with disabilities – received skilled nursing and rehabilitative care in one of nearly 16,000 skilled nursing facilities (SNFs) nationwide in 2008. Many of those cared for, 1.9 million, were Medicare beneficiaries. In fact, more than 50 percent of all Medicare beneficiaries needing post-acute care are discharged from an acute care hospital to a SNF. In addition, the long term care sector is a major driver of the U.S. economy, not only representing 1.3 percent of the nation’s Gross Domestic Product (GDP) , but also contributing to the employment of more than 5.4 million individuals nationwide, supporting more than \$205 billion in labor income, and generating \$60 billion in both state and federal tax revenues.

Even so, many Americans are not aware that Medicare offers only limited benefits for those needing post-acute or long term care. In fact, Medicare covers just 100 days of SNF care, following a qualifying 3-day hospital stay. Medicare Part A pays for the first 20 days of care and requires that the beneficiary pay a daily co-payment – \$141.50 in 2011 – for the remaining 80 days. On average, Medicare beneficiaries return home or to the community after a relatively short, rehabilitative stay of 36 ½ days in a skilled nursing facility. Other nursing facility patients, which account for 86 percent of a facility’s patients on a daily basis and include those who depend on Medicaid, often require extended stays averaging closer to 11 months.

Providers are reimbursed by Medicare through a prospective payment system that is based on payment categories or Resource Utilization Groups (RUGs), which reflect a patient’s clinical and rehabilitative care needs. Current statute requires the Centers for Medicare & Medicaid Services (CMS) – the federal agency with oversight of the Medicare program – to adjust SNF payment rates to allow for increases in the cost of goods and services each year. This cost-of-living adjustment is known as a market basket update. Regrettably, in Fiscal Year 2010, the 2.2 percent market basket update that providers should have received was canceled out by a 3.3 percent “projection error” correction simultaneously levied on SNFs by CMS, which resulted in a 1.1 percent overall decrease in Medicare payments. Since labor accounts for 70 percent of SNF operating costs, doing without the annual update is difficult enough – to say nothing of the challenges created by cutting Medicare reimbursements by 1.1 percent overall.

Now that the *Patient Protection and Affordable Health Care Act* is law, long term and post-acute care providers must prepare for an additional round of Medicare cuts, totaling \$14.6 billion over ten years beginning October 1, 2011. Although these funds will help to pay for health care reform, AHCA remains concerned that such steep cuts could threaten the relative stability that has allowed long term care providers to hire 50,000 workers in 2009 – even as other businesses have fallen prey to the downturn in the economy.

With elderly Americans comprising the fastest growing segment of the population, and the first of the baby boom generation set to hit retirement age this year—2011—now is not the time to further burden this critical sector of the health care system. AHCA welcomes the opportunity to work with Congress and the Administration in helping to stabilize our economy, ensure access to quality long term and post-acute care, and create additional front line, health care jobs in communities across the country – jobs for caregivers who can make a real difference in the lives of America’s seniors and people with disabilities.

Ask Congress...

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

Key Facts

- 3.2 million Americans received skilled nursing and rehabilitative care in the nearly 16,000 skilled nursing facilities (SNFs) nationwide in 2008.
- Of those, 1.9 million, were Medicare beneficiaries.
- More than 50% of all Medicare beneficiaries needing post-acute care are discharged from an acute care hospital to a SNF.
- On average, Medicare beneficiaries require short, rehabilitative stays of **36 ½ days** before returning home.
- 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.
- Long term care represents **1.3 % of the U.S. GDP.**

Contact

- Francesca Fierro O’Reilly
202.898.2852
foreilly@ahca.org