

# ISSUE BRIEF



American Health Care Association



National Center for Assisted Living

## *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, LLC estimates that the national Medicaid shortfall for skilled nursing care was \$17.33 per patient per day less than the actual cost of care in 2010 – a 22 percent increase from 2009, and a 92 percent increase over 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 the temporary increase in Federal Medical Assistance Percentage (FMAP) funding that was included in the *American Recovery & Reinvestment Act (ARRA)* that expired 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). Still, we remain concerned 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 budgetary 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 increases will find it difficult to keep up with the rising cost of goods and services.

### **Working Toward Longer-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 & preserve the Medicaid funding that poor, elderly Americans rely on to pay for the long term care & services they need.

### **Key Facts**

- 64% of nursing home patients & 13% of assisted living residents rely on Medicaid for each day 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 more than 3 million people & contributes to another 2.3 million jobs nationwide.
- A major economic driver, long term care represents 1.3 % of the U.S. GDP.

### **Contact**

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