



Statement of
The American Health Care Association
for the
U.S. House Ways & Means Health Subcommittee

“Hearing on MedPAC’s Annual March Report to the Congress on Medicare Payment Policy”

March 17, 2009

The American Health Care Association (AHCA) which represents nearly 11,000 dedicated long term care providers, commend Chairman Stark, Ranking Member Herger and the Members of this committee for allowing our profession to express our views surrounding the federal government’s approach to funding nursing facility care for our nation’s seniors.

We urge you to keep in mind that preserving adequate federal Medicare funding in the FY 2010 budget will not just be a key factor in ensuring seniors retain access to quality long term care during today’s challenging economic times, but also whether or not our profession will be able to continue successfully treating the changing patient population envisioned by all of us supportive of broad-based healthcare reform.

In short, Mr. Chairman, the recommendations offered by MedPAC will undermine U.S. seniors care needs, jeopardize quality, destabilize the long term care sector, and is directly at odds with the economic stimulus objectives outlined by the Obama Administration and Congress.

Medicare-Medicaid Cross Subsidization Requires Realistic Solutions

MedPAC’s continuing and exclusive focus on Medicare ignores the real and growing interdependence between Medicare and Medicaid. While 65 percent of skilled nursing facility patients rely on Medicaid to fund part, or all, of their nursing facility stay, those benefits account for only half of nursing facility revenues. Given that the prevalence of Medicaid patients in our nation’s nursing facilities is four times that of the acute care sector, special consideration of the relationship between Medicare and Medicaid is highly relevant.

In a recent letter to President Obama, U.S. Representatives Earl Pomeroy (D-ND), Shelley Berkley (D-NV), Shelley Moore Capito (R-WV) and Ginny Brown-Waite (R-FL) point out the vital fact that approximately 80 percent of nursing home patients rely on Medicare or Medicaid to pay for their long term care, and that given that the fastest growing segment of our population is those 85 and older, our nation’s need for long term care will continue to increase significantly. “Providing appropriate funding for Medicare and Medicaid,” they state, “will ensure that this ever-increasing population will have access to needed long term care when the time arrives.”

Continues the letter: “Unfortunately, the Medicaid reimbursement for care at a skilled nursing facility (SNF) has long been inadequate. This funding shortfall has been calculated at \$4.2 billion nationwide in 2008, or to put it another way, a loss of \$12.48 per patient, per day. Medicare reimbursement supplements this perpetual underfunding and until the Medicaid shortfall can be addressed we ask that you consider the interdependence of these programs when finalizing your FY 2010 budget proposal.”

Mr. Chairman, the bipartisan observations offered by your colleagues in their letter to President Obama reflect the reality patients and providers face in the real world, and Medicare-Medicaid cross-subsidization issue is

increasingly problematic for all stakeholders. The perilous state budget picture whereby seniors' Medicaid funds are being targeted for cuts makes this situation still worse.

MedPAC's enduring failure to recognize the growing funding interdependence between Medicare and Medicaid should not prevent the Obama Administration and Congress from making rational, independent determinations regarding the importance of providing this vital annual cost of living adjustment.

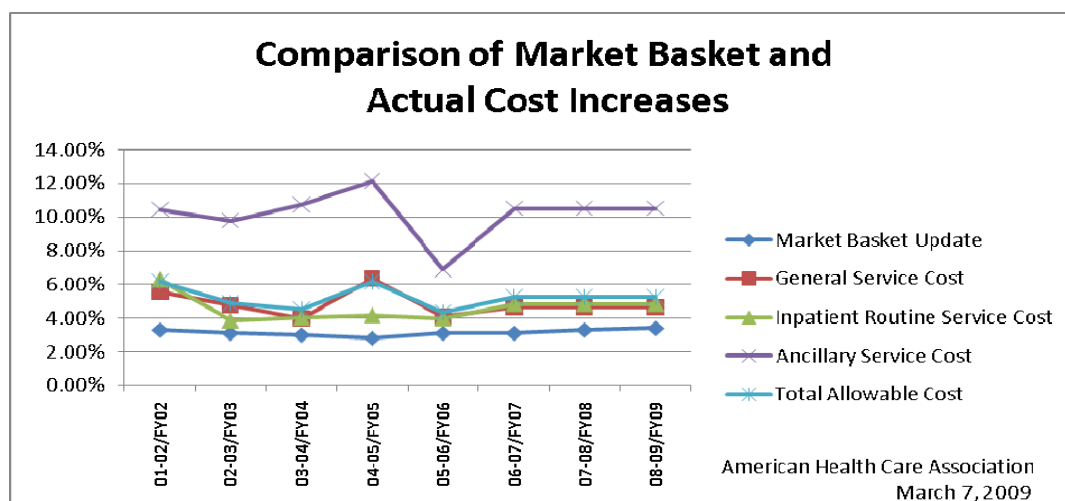
We strongly support a new provision in the recently passed *Children's Health Insurance Program Reauthorization Act of 2009*, which calls for establishing a Medicaid and CHIP Payment and Access Commission (MACPAC). Working constructively with both commissions regarding eldercare funding issues is key to ensuring that all Medicare payments are not considered in a vacuum and that all payers are recognized when it comes to nursing facility payments.

Medicare Increases Needed for Wage Increases, Investment in HIT & Sustained Quality

As the intent of the recently-passed *American Recovery and Reinvestment Act (ARRA)* is to create jobs and spur economic activity, MedPAC's recommendation in terms of SNF Medicare funding will do just the opposite – and besides derailing sector stability, will cause the loss of the very frontline care jobs key to the provision of quality care.

Given the dramatic cost increases facilities face in key areas including labor, energy, and health information technology, the failure to recommend an inflationary market basket update defies common sense, and is wholly inadequate to sustaining care quality gains – especially as these cost increases stem from factors beyond providers' control.

For example, the shortage of nurses and other direct care workers coupled with the fact that long term care must compete with other employers both within and outside the health care sector for these employees, contributes significantly to rising labor costs. When facility operating margins are further reduced, we are far less able to recruit and retain qualified care givers, modernize and refurbish aging physical plants and equipment, acquire and implement new technologies to accommodate advances in medical practices, and meet the increasingly complex care needs of an aging population.



As illustrated in the chart above, the increases in nursing facility costs from 2001-2007 exceeded the increases in the market basket updates each year (FY 2002 to FY 2009). It is obvious that a full market basket update is critical to enabling nursing homes and Medicare to continue to move forward in providing quality services for our nation's most vulnerable citizens.

The Changing Role of the Nursing Facility

A recent analysis of trends in New York State nursing home care is illustrative of the marketplace realities MedPAC routinely ignores. A 2008 report from the *United Hospital Fund* documents the growing role skilled nursing facilities play as providers of short-term care for seniors continuing recuperation after a hospital stay.

The report finds that the “number of patients staying in a nursing home for less than two months more than tripled,” from 1996 to 2005. In addition to this rise in short-stay patients, the study further concludes that, “between 1996 and 2005, both long-term residents and short-term patients have become more disabled, and more of them are cognitively impaired. In 2005, there were also more mental health diagnoses among them than in earlier years.” The authors suggest the findings of this study are representative of national trends. These facts further demonstrate why MedPAC’s recommendations are out of touch with skilled nursing facility patient needs and desires.

It is important to recognize the nursing home of the 21st century is far different from its predecessors, and while it’s excellent news that patients are returning home more quickly, the nature of treating the older, sicker patients themselves is increasingly problematic in the face of possible Medicare cuts.

AHCA FY 2010 Budget Recommendations

It is a public policy error for MedPAC to dismiss the Medicare-Medicaid “cross subsidization” issue as irrelevant to the debate at hand. Based strictly upon the facts, market trends, and fiscal reality, MedPAC’s recommendations should be rejected. AHCA supports the following:

- Congress should maintain the FY 2010 full market basket for skilled nursing facilities;
- Congress should amend MedPAC’s charter to require the Commission to consider operating margins of all government payers and the adequacy of all government funding in making its recommendations. This approach will enhance economic stability and quality improvements;
- MedPAC should factor into its recommendations long term care’s progress in improving quality. Funding volatility undermines providers’ ability to remain focused on continuous quality improvement.

At the end of the day, Mr. Chairman, the matters at hand are relatively simple: When Medicare funding for skilled nursing services is stable, quality of care and services improves. When Medicare funding is inconsistent and unstable – especially in the face of growing demand – our nation’s long term care infrastructure deteriorates, to the detriment of every senior today and every retiree tomorrow.