

Wisconsin Association of Homes and Services for the Aging, Inc.

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May 19, 2003

To: Members, Joint Committee on Finance

From: John Sauer, Executive Director

Subject: LFB Paper #400, "Nursing Home Rate Increase and Bed Tax" (DHFS – Nursing Homes)

The Wisconsin Association of Homes and Services for the Aging (WAHSA) is a statewide membership organization of 190 not-for-profit corporations which own, operate and/or sponsor 185 not-for-profit nursing facilities, including 47 county-operated facilities, among the full continuum of long-term care services they provide.

WAHSA POSITION:

- 1) **Support for Alternative A.2. in LFB Paper #400, with the Attachment 3 option of the Governor's position with the reestimate, which would impose a \$116/month bed tax on all licensed nursing home and ICF-MR beds and the use of the proceeds of that tax to fund a 3.3% MA nursing home rate increase in FY 2004 and FY 2005. *The key for our membership is to generate enough revenue through the bed tax to fund a 3.3% rate increase in each year of the biennium.*** Discussion Point #12 on Page 5 of LFB Paper #400 illustrates the financial instability facing a significant segment of Wisconsin's nursing homes: a rate increase of anything less than 3.3% could jeopardize the continued survival of some of those facilities. In addition, WAHSA members support the application of the bed tax to all licensed beds because it generates the same amount of revenue as the tax on occupied beds but at a lower level of taxation, thus somewhat easing the burden of cost-shifting to private pay residents.
- 2) **Support for Alternative B.1.**
- 3) **Support for a motion to suspend the use of the nursing home payment formula in 2003-05 and instead provide each Medicaid-certified nursing facility in the state with a 3.3% Medicaid rate increase in FY 2004 and FY 2005. (Referred to as a "rate-on-rate" increase).**
 - Nursing homes are reimbursed through a formula that is described on Page 2 of LFB Paper #400 under "MA Reimbursement to Nursing Homes." The formula does not ensure that each facility will receive a 3.3% rate increase; indeed, the formula ensures that the rate increase varies from facility to facility, with some receiving more than a 3.3% increase and some receiving less. Since all nursing facilities will be paying the bed tax and the bed tax is intended to fund the 3.3% nursing home MA rate increase, WAHSA members believe all facilities should receive the 3.3% rate increase regardless of what they would have received under the nursing home formula.



- Discussion Point #11 on Page 5 of LFB Paper #400 states: “The costs of providing care in nursing facilities continue to increase, and will likely increase at a greater rate than the Governor’s proposed 3.3% annual rate increase.” Only 9.5% of the state’s nursing homes were fully reimbursed for their costs in FY 2002, the last year of available data. If nursing home costs do indeed increase more than 3.3% this year, which is most likely, the other likely effect is the nursing home formula’s targets, or maximum payments, will have to be lowered, meaning even less facilities will be fully reimbursed for their MA costs. Stated differently, lowered targets most likely will result in more than half the state’s facilities receiving rate increases of less than 3.3%. Not-for-profit facilities and county facilities will be hurt the most.
 - Despite widespread nursing home provider opposition to the DHFS’ transition to a flat-rate/price-based nursing home payment system, the Joint Committee on Finance has never debated the wisdom of this alternative reimbursement system, which is in the third year of a 4-year transition and is briefly described on Pages 231-232 of the March 2003 Legislative Fiscal Bureau “Summary of Governor’s Budget Recommendations.” WAHSA members have challenged the wisdom of such a system, which pays facilities profits for costs they never incurred. We believe it is especially unwise to pay such profits now, at a time when reimbursement dollars are scarce and the financial survival of many facilities is in question. A statutory requirement to pay each facility a 3.3% MA “rate-on-rate” increase in FY 2004 and FY 2005 would conflict with the Governor’s position to distribute the rate increase dollars through the formula and would require the committee to suspend the nursing home formula for those two years. A suspension of the formula would effectively suspend the formula’s transition to a price-based payment system for those two years as well, a position WAHSA members would support.
 - A total of \$2.55 million was paid in incentive payments to 122 nursing facilities whose support services costs (costs for housekeepers, maintenance and dietary staff, security personnel, and laundry workers) were less than the price the DHFS had established for support services payments in FY 2002. Stated differently, \$2.55 million in incentive payments were provided in FY 2002 to 122 nursing facilities for support services costs they never incurred. WAHSA members believe that \$2.55 million would have been better spent by increasing the MA rates for all facilities and attempting to fully reimburse more than 9.5% of the state’s facilities for the costs they’ve incurred to care for their Medicaid residents.
 - WAHSA members also are concerned that the price-based payment system for nursing homes appears to disproportionately skew these support services incentive payments to for-profit facilities, specifically to non-Wisconsin-based national chains. Of the 122 nursing facilities receiving support service incentive payments, 99 were for-profit facilities, with 55 of those 99 for-profit facilities owned by one of four non-Wisconsin corporations (Beverly Enterprises, Extendicare, HCR-Manor Care and Kindred Care). Twenty-two not-for-profit nursing homes and 2 county-operated facilities received similar incentive payments. Of the \$2.55 million in support services incentive payments, 87.4% went to for-profit facilities. Once again, can we afford to make these incentive payments at a time when the current nursing home formula so inadequately reimburses the vast majority of homes serving Medicaid residents? And do these efforts to contain support services staffing levels or staff wages and benefits enhance or diminish residents’ quality of life?
- 4) **Support for the DHFS compromise language to the statutory provisions contained in Attachment 1 to LFB Paper #402, “Limit Placement of Individuals with Developmental Disabilities in ICFs-MR and Nursing Homes” (DHFS-Health Care Financing - Nursing Homes).**