

## NURSING HOMES: “ENOUGH IS ENOUGH”

In the last 2 years, Wisconsin skilled nursing facilities (SNF) have been hit by substantial federal and state spending cuts:

- The Patient Protection and Affordable Care Act (ACA) curbed the growth of Medicare spending on SNFs by \$14 billion over the next 10 years. The ACA (Public Law 111-148) also included several provisions to curb waste, fraud and abuse in the Medicare program and to making nursing home operations more transparent.
- A Medicare payment rule approved by the federal Centers for Medicare and Medicaid Services (CMS), which goes into effect October 1, 2011, will cut Medicare reimbursement for SNFs across the board by an average of 11.1% in FY 2012. The actual reimbursement cut for specific organizations will depend on their case mix and geographic location. **The average reimbursement reduction for Wisconsin SNFs is projected to be 12.6%, or an aggregate total of \$83.5 million.**
- Because the final CMS rule also revised billing for therapy services, Medicare reimbursement for SNFs could be reduced by as much as 20%.

In addition to Medicare cuts, most states have made significant cuts in Medicaid spending as well over the past 2 years and Medicaid reimbursement for nursing homes has not been spared.

**In Wisconsin, MA reimbursement for nursing homes on average was cut 0.7% in SFY 2011 and a 2009 comprehensive analysis of the nation’s Medicaid nursing home payment systems ranked the Wisconsin payment system the worst in the country.**

- In the most recent payment year, the average Wisconsin SNF loses \$37.71 per day for each Medicaid resident it serves, for an average annual loss of \$782,000 per facility.
- In the aggregate, Wisconsin SNFs incur \$260.8 million in Medicaid costs more than the Medicaid reimbursement they receive.
- Forty nursing homes have closed in Wisconsin over the past decade, primarily because of Medicaid underfunding.
- According to the Wisconsin Department of Health Services (DHS), 41% of the state’s 399 nursing homes have a *negative* net worth.

Unlike Medicaid, Medicare generally reimburses SNFs for the cost of care they provide. But only 14% of the residents of Wisconsin SNFs are Medicare beneficiaries; nearly 66% are Medicaid recipients. **Because nearly 2 out of every 3 nursing home residents in Wisconsin rely on a Medicaid program which does not pay for the full cost of their care, SNFs historically have relied on Medicare funding to subsidize their Medicaid losses. With the recent cuts in Medicare funding at the federal level, that will become more difficult to do in the future.**



Indeed, the Budget Control Act which became the law of the land August 2<sup>nd</sup> holds the potential for more cutbacks to nursing homes:

- Will the “super committee” created by the Act recommend additional Medicare and Medicaid cuts which will further reduce nursing home funding?
- If the “super committee” recommendations are not adopted by both houses of Congress, will Medicare funding to SNFs be reduced by another 2%?

Nursing homes are labor intensive: approximately 73-cents of every SNF dollar spent goes for staffing costs. Unfortunately, when facility revenues are reduced by cuts in Medicare and Medicaid funding, staffing becomes an obvious, if unwelcomed, target.

**The Medicaid underfunding of nursing homes at the state level and the Medicare SNF cuts at the federal level are forcing virtually every nursing home in Wisconsin to currently be considering the following:**

- 1) Staffing cuts/freezes
- 2) Reduction in staff hours
- 3) Wage/benefit freezes/reductions
- 4) Admission caps to prospective residents with government as the payor

None of those options will enhance the economy or create jobs; more importantly, **none of those options will enhance the quality of care our elder citizens deserve and have earned.**

## **SOLUTIONS**

As Congress works on budget issues, WAHSA members hope they will do everything possible to ensure that elders who need high-quality nursing home care and their families continue to have access to it.

WAHSA members support initiatives to rein in health care costs by truly reforming the health care delivery system, better integrating health care services, improving transitions among various levels of health and long-term care, and preventing unnecessary hospitalizations and re-hospitalizations. These initiatives will generate savings not only to the health care system in general, but specifically to the Medicare and Medicaid programs.

**In the short term, however, we respectfully urge the members of the Wisconsin Congressional delegation to contact CMS and request that the agency:**

- 1) **Close the therapy-related loopholes in the formula which determines the FY 2012 Medicare reimbursement rates for SNFs.** In its October 1, 2011 rule, CMS proposed to reduce FY 2012 Medicare reimbursement for SNFs by \$3.87 billion, or 11.1%, to correct “unintended excess payments” that occurred in therapy-related reimbursement for FY 2011. Our national association, LeadingAge, advised CMS a year ago to close those loopholes, advice CMS at the time chose to ignore. The end result is a draconian across-the-board SNF Medicare rate reduction in FY 2012 which penalizes all Medicare SNF providers rather than just those which “gamed” the system.

- 2) **Fix the flawed formulas which CMS utilized to calculate the proposed FY 2012 Medicare SNF rates.** CMS has acknowledged errors in its calculations of the FY 2012 SNF Medicare reimbursement rates and corresponding reductions, which eventually could total 20% rather than the announced 11.1%. Fairness alone dictates those errors should be corrected immediately.
- 3) **After the therapy loopholes have been closed and the errors in the FY 2012 SNF Medicare reimbursement rate calculations have been rectified, recalculate these payment adjustments.** This recalculation should be conducted as soon as is feasible to minimize the disastrous consequences of these proposed reductions.

**In addition, WAHSA urges the members of the Wisconsin Congressional delegation to oppose any Budget Control Act deficit reduction proposals which would further reduce Medicare or Medicaid funding for nursing homes.**

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*The Wisconsin Association of Homes and Services for the Aging (WAHSA) is a statewide membership organization of not-for-profit corporations principally serving seniors and persons with a disability. Membership is comprised of 188 religious, fraternal, private, and governmental organizations which own, operate and/or sponsor 195 nursing homes, 14 facilities for the developmentally disabled, 87 residential care apartment complexes (RCAC), 95 community-based residential facilities (CBRF), 114 senior apartment complexes, and more than 300 community service agencies which provide programs such as Alzheimer's support, adult day care, child day care, home health, hospice, home care, and Meals on Wheels. Together, WAHSA serves 505 not-for-profit nursing home, assisted living, senior housing, and other community-based providers principally serving elderly persons and individuals with a disability. WAHSA members employ over 38,000 people who provide compassionate care and service to over 48,000 individuals each day.*