Aging Services Issues
Where Do We Stand?

Federal budget, fiscal 2013 and 2014

The context for our advocacy this year is the federal budget. Two fiscal years are involved.

Fiscal 2013 (present): Congress funded federal programs for only half of fiscal 2013. Funding must be extended before the present measure expires on March 27. Otherwise there will be a government shutdown.

The House passed H.R. 933, a continuation of the present funding measure, last week. The Senate Appropriations Committee has developed an extension of the present continuing resolution on which the Democratic Chair and the Republican Ranking Member have both signed off. Total spending under the Senate measure would be the same as in the House bill. The Senate will consider this measure during the week of March 17.

There are some "anomalies" in the House and Senate spending measures, where funding was added or subtracted. The one anomaly we have found affecting LeadingAge members is a rescission of $200 million for the Community Care Transitions program in which 7 of our members are participating.

A congressional recess is due to begin March 25, so the actual deadline is around March 22.

Fiscal 2014: Congress and the Administration are beginning work on the federal budget for fiscal 2014.

According to statutory budget procedures, the President is supposed to submit a budget plan to Congress in early February. By April 15, both houses of Congress are supposed to agree on a budget plan to be a blueprint for spending bills to be enacted before the new fiscal year begins on October 1.

The process hardly ever works the way it is supposed to, but this year things are especially chaotic. President Obama has not submitted a budget proposal for fiscal 2014. The latest forecast is that his budget will get to Congress on or around April 8.

In the meantime, House Budget Chair Paul Ryan introduced his fiscal 2014 budget proposal on March 12. His budget proposal is substantially the same as the proposals he has put forward for the last two years. While the House likely will pass the Ryan budget during the week of March 17, it will meet the same fate his previous budgets have in the Senate; dead on arrival.

The new chair of the Senate Budget Committee, Patty Murray (WA), has indicated that, unlike the last couple of years, her committee will produce a budget proposal for the next fiscal year. We would expect the Senate to act on that measure this month, but there is no guarantee that the House and Senate will reach budgetary consensus.

Last year, when Congress and the President were unable to reach agreement on a budget for fiscal 2013, a resolution had to be passed to just continue current funding levels for federal programs. This year's lack of consensus could result in a similar outcome.

A couple of other factors:

Debt ceiling: the federal government will reach the statutory limit on its authority to borrow sometime in May. By accounting hocus pocus, the Treasury probably will be able to keep the government running until sometime in July.

Congress traditionally goes on a month-long recess in August. Before they go, they will have to do something about the debt ceiling.

Sequestration: The across-the-board spending cuts/sequestration that went into effect on March 1 are the legacy of Congress's and the President's 2011 attempt to get a handle on the federal budget deficit as a condition of raising the debt ceiling.

Funding for senior housing and Older Americans Act programs was cut by 5.1% under sequestration. Sequestration not only reduced monies available for the rest of this year, but also created a new, lower baseline for funding in future years.

Medicare payments to skilled nursing, home health, and hospice providers were cut by 2% under sequestration. This cut creates a lower baseline for market basket updates due on October 1. In addition, the market basket updates will be less than the rate of inflation in market basket costs according to the Affordable Care Act.

A budget agreement between the two houses of Congress and the President would be necessary to undo the effects of this year's sequestration.

Sequestration applies to virtually all federal programs, with the exception of Medicaid and a handful of other safety net programs. It was never meant to go into effect. Congress intended it to be a spur to bipartisan work on the federal budget deficit.

LeadingAge solution: We urge both parties in Congress and the Administration to work together on a fair and balanced approach to reducing the federal budget deficit that does not impose a disproportionate burden on those least able to sustain cutbacks in health care, housing and long-term services and supports for people as they age.

Aging Services Programs and Initiatives

Medicare

The House budget proposal for fiscal 2014 calls for repeal of the Affordable Care Act, but would retain the ACA's reductions in market basket adjustments for health care providers, including skilled nursing, home health care and hospice.

Like the House budget proposals of the last two years, the current measure calls for the conversion of Medicare into a premium support program for people now aged 54 and under.

Consumer advocacy groups are opposed to this redesign of Medicare because it would leave beneficiaries at the mercy of private insurance companies in buying health coverage. Beneficiaries could choose to purchase more expensive insurance than the allowance they received from redesigned Medicare, but they would have to make up the difference in cost out of their own pockets. Moderate and lower-income beneficiaries would effectively have less choice as they would be less able to supplement the difference in the cost of more expensive insurance.

For health care providers, including LeadingAge members, the unintended consequence of the Medicare redesign could be beneficiaries lacking sufficient Medicare coverage to pay for the services they receive. Beneficiaries who opted for cheaper coverage could well end up with policies covering even less of the services we provide than Medicare currently does. Medicare could decline as a relatively favorable source of revenues for long-term services and supports providers.

Raising the Medicare age of eligibility similarly risks creating a class of 60-somethings without adequate insurance to cover necessary health care, including the services LeadingAge members provide. Especially with federally-subsidized insurance exchanges going into operation in 2014, raising the Medicare eligibility age in reality saves little money for the federal government. The subsidy will either come out of the exchange pocket or out of the Medicare pocket.

LeadingAge solutions: Our concern about Medicare redesign proposals does not mean that we are unwilling to support any spending reductions in Medicare.

We have advocated for changes in the Medicare payment systems for skilled nursing facility, home health, hospice, and outpatient therapy and continue to recommend these reforms to policymakers. Current incentives for clinically inappropriate services should be replaced with payment systems that reward quality outcomes.

We supported savings under the Affordable Care Act that will reduce the growth of Medicare spending on skilled nursing and home health care.

These savings will be achieved in part by revising the home health, hospice, and nursing home payment systems to better target scarce resources on care and hold down annual adjustments to below the rate of inflation, in line with increasing productivity.

In addition, ACA reforms in Medicare and the health care delivery system generally will better integrate services and make health and long term care more cost-effective. Expanded use of technology, in which we are leaders promoting innovation, is a critical part of this transformation.

Addressing the underlying causes of health care cost inflation can build on the reforms of the Affordable Care Act by using provider payment reform to promote value and accelerate delivery system innovation and by giving consumers information and positive incentives to choose high-value care and care systems.

We believe this is the approach policymakers should take to keep health care costs for all populations within reason while also promoting a healthy, sane and affordable system of care and services for people as they age.

Medicare/observation days: We continue to strongly support legislation to correct the problem of Medicare beneficiaries' hospitalization being counted as observation, not inpatient stays.

Rep. Joseph Courtney (CT) who introduced the corrective legislation in the last Congress plans to reintroduce it soon. The measure will have a new sponsor in the Senate, since Senator John Kerry now serves as Secretary of State.

Therapy caps: We support legislation introduced by Rep. Jim Gerlach and Sen. Ben Cardin, H.R. 713 and S. 367 respectively, to repeal the arbitrary caps on Medicare coverage of outpatient therapy.

We also would support the continuation of the present exceptions process for Medicare outpatient therapy coverage.

Medicaid: The House budget proposal once again calls for block granting the Medicaid program, giving states a set amount of funding to administer their Medicaid programs as they see fit.

We are not opposed to state flexibility. However, we have some reservations about Medicaid block grants:

- They are proposed as a means of federal budget savings. Every state would lose money. The Congressional Budget Office analysis predicted that no state would be able to achieve sufficient efficiencies to completely offset the reduction in federal funding. CBO said that states would have to cut payments to providers, restrict Medicaid eligibility or reduce the array of services covered by their Medicaid programs in order to absorb this budget cut.

- In view of the cutbacks most states already have made in their Medicaid programs, we oppose further cutbacks at the federal level.

- We are concerned about the loss of federal requirements like the mandatory coverage of nursing home care.

We also are concerned about the impact of state Medicaid cutbacks on LeadingAge members. One of our long-standing members in Texas will close its nursing home March 16 because it could no longer sustain daily operating losses on the 90% of its residents covered by Medicaid.

LeadingAge solutions: We advocate for Medicaid and Medicare to meet the same standard of payment adequacy for long-term services and supports covered by the programs. Medicaid should not need to rely on subsidies from other payers.

This same standard should apply when the two programs are combined as they increasingly are in capitated systems for dually eligible beneficiaries.

Payment must be adequate to pay for innovative and efficient care and promote greater efficiency without compromising quality.

Senior housing: Federal funding for Section 202 housing this year is 45% of what it was in fiscal year 2010. Funding has gone from $825 million in 2010 to $375 million this year.

We also have had no funding for new construction for the last two years.

Sequestration cut Section 202 funding by another 5.1%. We do not yet know specifically how that cut will be implemented.

We are concerned that sequestration will mean short-funding operating contracts. This situation caused substantial chaos when HUD short-funded contracts a few years ago.

LeadingAge solution: Congress needs to restore Section 202 funding and provide money for construction of new affordable housing units.

One of our big ideas for the future of aging services is providing services in affordable housing. However, for this proposal to become a reality, these programs must not be subjected to excessive, across-the-board spending cuts.

Senior housing and Older Americans Act programs make up a miniscule fraction of federal spending. Eliminating them entirely would do virtually nothing to balance the federal budget.

But these programs make a great deal of difference in the lives of seniors and their families. They leverage other public and private resources that enable seniors to live cost-effectively and in dignity.

Affordable housing must be viewed as an important health care intervention, and affordable housing with services viewed as a platform for successful aging.

Public –private partnerships must increase to expand access to affordable housing outside of the federal funding stream, and supportive services must be provided in all housing settings.

Integrated care systems should require the incorporation of long-term services and supports, with affordable housing as a key component, to improve care transitions for low income, frail seniors.

Home- and community-based services: In addition to home-based services covered by Medicare and Medicaid, many LeadingAge members provide an array of supportive services funded under the Older Americans Act. The most significant OAA services our members provide are congregate and home-delivered meals and transportation.

The Older Americans Act is due for reauthorization. Its funding also has stagnated in recent years as the population of aging Americans needing supportive services has grown. OAA funding also experienced the 5.1% reduction due to sequestration.

LeadingAge solutions: We support reauthorization of the Older Americans Act with a new authorization for a congregate housing with services program in affordable housing communities.

Older Americans Act nutrition and transportation enable seniors who might otherwise have to enter a nursing home live independently in the community. Even with the cost of OAA services, preventing premature placement in a nursing home saves on Medicaid spending.

We support replacement of OAA funding lost to sequestration and funding increases to accommodate the needs of a growing senior population.

Long-term services and supports financing: with the repeal of the Community Living Assistance Services and Supports (CLASS) program under the American Taxpayers Relief Act, we are back to the drawing board on a better way of paying for long-term services and supports.

LeadingAge solutions: We continue to believe that individuals should have a structure for responsibly planning for their long-term services and supports needs.

The American Taxpayers Relief Act set up a Long-Term Care Commission to develop a plan for better financing and delivery of long-term care services. Members of the Commission have now been appointed by congressional leaders of both parties and by the White House, so the commission can begin its work.

We will work with the Commission, as well as with our internal, member-led task forces on new solutions to long-term care financing.

Tax reform: The House budget for fiscal 2014 contains a proposal to replace the present federal income tax system with two tax rates, 10% and 25%, and eliminate most tax benefits, likely including the deduction for charitable contributions.

The House Ways and Means Committee is exploring tax reform. It has formed task forces and held hearings on the various benefits in the tax code. Larry Minnix testified at the committee's February 14 hearing on the income tax deduction for charitable contributions.

The current exploration of the charitable deduction is different from past congressional efforts to ensure compliance with the rules and obligations of tax-exempt status. Current proposals are exploring the complete elimination of the charitable contributions deduction as well as other tax benefits in order to substantially lower tax rates.

LeadingAge solutions: We believe the present tax incentives for charitable giving are a solution to the problem of funding services for those who cannot afford to pay for what they receive.

Charitable giving bridges the gap between public funding our members receive and what ordinary families can afford to pay for services.

Private philanthropy enables LeadingAge members to build housing for low-income seniors, to replace old and outdated nursing homes with new buildings and to make capital improvements that benefit residents.

Fundraising also supports benevolent funds that enable LeadingAge members to continue serving seniors whose own financial resources have been exhausted.

Because they are not-for-profits, LeadingAge members reach out beyond the doors of their facilities to serve individuals in the larger community.

We urge Congress to preserve tax incentives for charitable giving for taxpayers at all income levels.