

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

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July 19, 2011

The Honorable Herb Kohl
330 Hart Senate Office Building
Washington DC 20510

Dear Senator Kohl:

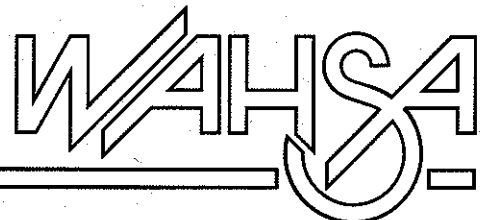
It is a virtual impossibility these days to pick up a newspaper or listen to a broadcast and not become embroiled in a debate on the debt ceiling and deficit reduction. Rarely do those discussions fail to include Medicare and Medicaid as topics for programmatic cuts.

WAHSA not-for-profit long-term care providers fully recognize the monumental task at hand for our elected representatives in Washington in dealing with an economy still reeling from a recession. The numbers being bandied about simply are beyond our grasp: a \$14.3 trillion debt and proposed cuts to Medicaid and Medicare in the \$350 billion range over the next 10 years. Indeed, we don't believe anyone, including our elected officials, can comprehend fully numbers like \$350 billion or \$14.3 trillion. Those numbers, and any proposed solution to the debt and deficit crisis our nation faces, must be put in context to grasp their true meaning. That context is their impact on real people.

The greatest fear WAHSA members have, and I suspect that fear is shared by the vast majority of U.S. citizens, is that these tremendously daunting decisions currently facing our elected representatives will be resolved by looking at the numbers, not the effect these decisions will have on the lives of real people.

We would like to share with you our perspective on how some of the proposed cuts, specifically to the Medicaid and Medicare programs, might impact the people we serve and those that provide those services.

I have provided the links to two documents which illustrate in some detail the financial crisis facing Wisconsin's nursing homes, a crisis which certainly is not confined to Wisconsin: (1) www.wahsa.org/challenge.pdf is a link to: *A Call to Action: The Nursing Home Quality Challenge*, a January 2011 report prepared by WAHSA staff which highlights the dilemma facing nursing homes due to inadequate Medicaid funding; and (2) www.wahsa.org/medrule12.doc that explains WAHSA's opposition to a proposed rule offered by the federal Centers for Medicare and Medicaid Services (CMS) which could cut Medicare funding for skilled nursing facilities by \$3.94 billion, or 11.3%, in FY 2012.



The "numbers" tell us that the average Wisconsin nursing home loses \$37.71 per day for 2 of every 3 residents they care for, the Medicaid population. That results in an average annual Medicaid loss of just under \$782,000 for a typical Wisconsin nursing home. In the aggregate, the costs which Wisconsin nursing homes incurred in the 2009-10 payment year to provide care and services to their Medicaid residents exceeded the Medicaid reimbursement they received to provide that care from state and federal government by \$260.8 million. That's what the "numbers" tell us.

But how do those "numbers" translate when placed in the context of their impact on peoples' lives, specifically the lives of the state's 30,000+ nursing home residents and the nearly 51,000 caregivers who serve them?

No business can survive for a long period of time by losing \$782,000 per year. How can the average Wisconsin nursing home survive financially with a Medicaid loss of that magnitude?

Generally speaking, nursing homes are forced to offset their Medicaid losses either by attempting to increase their private pay census and/or the number of residents who are Medicare eligible. For most WAHSA not-for-profit members, that reality runs contrary to their mission; however, it ultimately becomes a question of economic survival. A tremendously competitive marketplace alone makes it difficult for many facilities to boost their private pay and Medicare census to the levels they need to achieve financial stability; however, several other factors add to that difficulty:

- As noted in the attached WAHSA comments on the proposed CMS Medicare payment rule, nursing home private pay rates in Wisconsin on average exceed Medicaid reimbursement by more than \$70 per resident day. That differential has grown steadily over the past decade. No one can defend the inequity of relying on private pay nursing home residents to subsidize the inability or unwillingness of government to pay for its own Medicaid clients; the unfortunate side-effect of this \$70/day Medicaid – private pay differential is it is forcing more residents onto the Medicaid rolls because they are spending down their assets at a faster pace. The end result of this Medicaid underfunding is a decline of the number of nursing home residents paying privately for their care and an increase in the number of residents relying on the Medicaid program to pay for their care.
- If the proposed CMS rule and its 11.3% decrease in Medicare payments to skilled nursing facilities go into effect October 1, 2011, the average Wisconsin nursing home will lose its ability to utilize Medicare payments to subsidize inadequate Medicaid payments.


A September 2009 analysis by the WI Department of Health Services (DHS) of the financial stability of Wisconsin's nursing homes found that 149 facilities, or 41% of the statewide total, are operating at a net loss. That figure was compiled prior to the imposition of a 0.7% MA rate reduction for nursing homes in FY 2011 and before the Medicaid and Medicare cuts currently being discussed at the federal level even were contemplated.

How, then, might we expect nursing homes to respond if the \$350 billion in Medicaid and Medicare cuts currently under discussion, and any corresponding nursing home reimbursement cuts, are adopted? The options available would be limited and potentially devastating:

- Since 73-cents of every dollar received by a nursing home is applied to labor costs, caregiving staff levels most likely would have to be reduced, frozen or not increased to meet resident needs. Staff wages and benefits also would face a near-certain freeze or reduction.
- Forty nursing facilities in Wisconsin have closed in the past decade; that figure most assuredly would increase if these additional cuts were adopted.
- Facilities will be forced to limit their Medicaid admissions.
- Inadequate staffing will jeopardize resident care.

The financial situation facing nursing homes is bleak even without the devastating cuts to Medicaid and Medicare that currently are being contemplated in Washington. If facilities are unable to find the resources necessary to recruit and retain caring and competent staff, people's lives will be affected. That is not a numbers game or a budgetary exercise – it is about the health, safety and welfare of our loved ones. We cannot allow the discussion to be about dollars and cents when we're talking about the well-being of our parents and grandparents, our elderly and disabled relatives and friends. They taught us better and they most assuredly deserve better. Please keep their needs in mind as these difficult budgetary decisions are being made.

Sincerely,



John Sauer
Executive Director

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.