Wisconsin Association of Homes and Services for the Aging

Wisconsin Health Care Association

April 27, 2011

To: Senator Alberta Darling, Co-Chair
Representative Robin Vos, Co-Chair
Members, Joint Committee on Finance

From: John Sauer, Executive Director, WAHSA
Tom Moore, Executive Director, WHCA

Subject: WAHSA/WHCA Positions on 2011 Senate Bill 27/Assembly Bill 40, the 2011-13 Biennial Budget Bills-- Medicaid Nursing Home Funding Issues

The Wisconsin Association of Homes and Services for the Aging (WAHSA) is a statewide membership association of 200 not-for-profit or governmental long-term care organizations which own, operate and/or sponsor 183 nursing homes, 136 assisted living facilities and 113 senior housing complexes. WAHSA members employ over 38,000 dedicated staff which provide care and services to over 48,000 residents, tenants and/or clients. The Wisconsin Health Care Association (WHCA) is a nonprofit organization dedicated to representing, protecting and advancing the interests of more than 190 for-profit, not-for-profit and/or government-operated nursing facilities, their 28,000 employees and the 27,000 residents they serve. WAHSA and WHCA represent virtually every nursing home in Wisconsin.

WAHSA/WHCA respectfully request members of the Joint Committee on Finance to support the following positions on 2011 SB 27/AB 40:

- **As the state's fiscal condition improves, return the $50 million in federal funds generated in 2010-11 by the nursing home bed tax which were "skimmed" to balance the 2009-11 state budget.**
- **Based on the current fiscal condition of Wisconsin's nursing homes and the significant funding cuts they were forced to endure in 2009-11, nursing homes should be excluded from any additional funding reductions in 2011-13.**

SB 27/AB 40 provide no Medicaid rate increase for the state's 399 Medicaid-certified nursing facilities in the 2011-13 biennium. In addition, the budget bills direct the Department of Health Services (DHS) to adopt unspecified reforms to the Medicaid program which will produce $190.6 million GPR and $466.6 million AF in MA savings over the biennium. **Nursing homes played an unintended yet significant role in balancing the 2009-11 state budget; resident care will be jeopardized if they are asked to do the same in 2011-13.**

- **<u>Nursing homes face their own fiscal reality:</u>** WAHSA/WHCA members recognize the fiscal constraints the state and this Legislature currently face. However, they want you to understand theirs:
    1. According to a recent national study, Wisconsin has the worst MA reimbursement system for nursing homes in the country;
    2. In the aggregate, the MA/Family Care costs incurred by Wisconsin nursing homes exceeded the MA reimbursement they received for those incurred costs by $270.4 million in the 2009-10 payment year;
    3. The average Wisconsin nursing home loses $37.71 per day for each MA resident it serves, for an average annual loss of just under $782,000 per facility;
    4. According to a DHS analysis in 2009, 149 nursing facilities, or 41%, were operating at a net loss;
    5. To address this MA underfunding, private pay nursing home residents on average pay nearly $70 more per day than the facility's MA per diem rate for virtually the same care MA residents receive. That figure does <u>not</u> include the $170 bed tax they also pay every month; and
    6. Despite the private pay resident subsidization of the Medicaid underfunding of nursing homes, 65 nursing facilities have closed since 1999.

- **<u>The 2% nursing home rate increase that wasn't:</u>** The nursing home bed tax was increased from $75/month/licensed bed to $150/month/bed in 2009-10 and to $170/bed/month in 2010-11 with the intent of funding a 2% MA rate increase for nursing homes in each year of the biennium. However, the 2009-11 budget also directed the DHS to identify $625 million AF in MA savings/cuts over the biennium under an initiative the Department idyllically named the "ForwardHealth Rate Reform Project." The nursing home "contribution" to the "rate reform" initiative was $27.9 million over the biennium. So while the intent of the Legislature last session was to provide nursing homes with a 2% MA rate increase funded not by GPR but by a more than doubling of the bed tax, that intent did not take into account the $27.9 million nursing homes "contributed" to the unspecified MA "rate reform" cuts. ***The end result: Rather than a 2% MA rate increase in each year of the biennium, nursing homes received a 1.2% rate increase in 2009-10 and a rate <u>reduction</u> of 0.7% in 2010-11***.

- **<u>The "Skim":</u>** The more than doubling of the nursing home bed tax in 2009-11 generated just under $90 million ($89,960,579) in additional federal MA matching funds. Of that total, $11.8 million, or 13%, were used to fund MA nursing home rate increases and $78.2 million, or 87%, were used to fund MA base expenses, a polite way of saying they were used to balance the 2009-11 state budget. When the MA federal funding match rate was lowered earlier this year, the state applied 81% of the federal funds generated by the bed tax increase in 2010-11 ($50,004,746) to balancing the budget and 19% of those bed tax-generated federal funds to a 2% MA nursing home rate increase that ultimately resulted in a 0.7% rate <u>decrease.</u> **It is this $50 million bed tax "skim" that providers justifiably want to see returned to the nursing homes which generated those additional funds.**

- **<u>Nursing homes "contributed" $157.1 million toward balancing the 2009-11 state budget and can't afford a repeat in 2011-13:</u>** When combining the nursing home bed tax "skim," the state skim of $43.1 million in county Certified Public Expenditure (CPE) funds, the use of $5.2 million in CPE funds to fund Family Care expansion, the elimination of $2.7 million in Nursing Home Appeals Board funding, a $200 nursing home survey "revisit" fee, and $27.9 million in Medicaid "rate reform" cuts, nursing homes generated $157.1 million in funds in 2009-11 that weren't used for resident care. **Nursing facilities that on average are losing over three-quarters of a million dollars annually on MA under-reimbursement couldn't afford those cuts in 2009-11 and certainly can't afford further funding reductions in 2011-13.**

As noted above, nursing homes face their own fiscal realities. With a Medicaid rate reduction in 2010-11 and no rate increases anticipated in 2011-13, nursing homes either have already begun or will shortly begin to take one, some, or all of the following actions in order to keep their doors open: 1) Limit or eliminate the admission of Medicaid recipients; 2) Raise private pay rates even further; 3) Not hire needed staff; 4) Freeze or reduce staff wages and/or benefits; 5) Cut staff.

If nursing home providers are asked to bear further funding reductions in 2011-13, you can add a sixth alternative: Close the facility. **None of these options will improve resident care but with no rate increases on the horizon and with the possibility of additional cuts still a reality, there are no other options.**

WAHSA/WHCA respectfully request the members of the Joint Committee on Finance to please take the necessary actions to protect nursing homes from additional funding cuts in 2011-13 and to return the $50 million nursing home bed tax "skim" as the Wisconsin economy improves.

Contact Information:

John Sauer, Executive Director
Tom Ramsey, Director of Government Relations
Wisconsin Association of
Homes and Services for the Aging (WAHSA)
608.255.7060
jsauer@wahsa.org
tramsey@wahsa.org

Thomas P. Moore, Executive Director
Jim McGinn, Director of Government Relations
Wisconsin Health Care Association (WHCA)
608.257.0125
tomm@whca.com
jim@whca.com