

## **Fact Sheet: The Underfunding of Nursing Facility Resident Care**

A comprehensive analysis of the nation's Medicaid nursing home payment systems ranked the Wisconsin system the 3rd worst in the country. The study, "Report on Shortfalls in Medicaid Funding for Nursing Center Care" released in January 2014 by Eljay, LLP, a national accounting and consulting firm, revealed that Medicaid deficits sustained by Wisconsin's nursing facilities are the third highest in the country (surpassed only by New York State and New Jersey).

The national report and ranking came as no surprise to the Wisconsin nursing home community. Indeed, the Wisconsin Medicaid program's own database of facility-specific cost and reimbursement information for 2012-13 (the most recent data available) vividly illustrates the system's inadequacies. It reveals the following:

- Medicaid recipients as of July 2012 (18,766 residents), including Family Care enrollees, comprise approximately 65% of all residents served in Wisconsin nursing facilities.
- Labor costs represent approximately 70% of the total cost of providing care and treatment to nursing home residents. Nursing homes employ over 52,300 individuals; 58% of all nursing home personnel perform nursing care and services (RNs, LPNs, and certified nursing assistants).
- In the 2012-2013 payment year, the difference between the total cost of the care facilities provided their Medicaid residents and the Medicaid reimbursement they received for providing that care (i.e., the "Medicaid deficit") was \$330,978,401.
- 371 of the 378 nursing facilities in the state's database, or 98.1%, received a Medicaid payment in 2012-13 which failed to meet the cost of care they provided their Medicaid residents.
- Direct care costs, the costs to provide hands-on care to residents, represented \$168,830,934, or 51%, of the total costs Medicaid failed to reimburse in 2012-13.
- Wisconsin nursing facilities, on average, lose \$50.91\* per day for each Medicaid resident they serve. For the average Wisconsin nursing home, that results in an annual loss of \$1,044,400\* to provide care to its Medicaid residents. (\* includes supplemental payments).
- Despite this growing Medicaid deficit, 2013 Wisconsin Act 20, the 2013-15 state budget, contained no Medicaid rate increase for nursing homes, although a 2% acuity adjustment in each year of the biennium was provided.

- Historically, nursing homes have subsidized their Medicaid losses with revenues generated by Medicare beneficiaries and residents paying privately. In Wisconsin, approximately 65% of nursing home residents are Medicaid/Family Care recipients; 22% are private payors; and the remaining 13% are Medicare beneficiaries. (Source: 2012 Medicaid Cost Reports)
- As a result of the failure of the Medicaid program to pay the resident care costs for which it is responsible, private-paying nursing home residents are compelled to pay rates that average nearly \$100 per day higher than a facility's Medicaid payment rate (Average 2012-2013 Medicaid payment rate: \$157.01 per day) for virtually the same care a Medicaid resident receives. Despite that payment differential and the fact that Wisconsin private payors also must pay a \$170/month nursing home bed tax, those paying privately for their nursing home care continue to be asked to subsidize an even greater proportion of this Medicaid underfunding. **How much longer can we rely on private-paying residents to bail out the Medicaid program?**
- The ability for nursing home providers to use Medicare revenues to offset Medicaid losses also has been significantly curtailed. Why?: (1) The Affordable Care Act reduced Medicare expenditures for skilled nursing facilities (SNF) by \$14 billion through 2020; (2) CMS cut Medicare SNF reimbursement by an average of 11.1% on October 1, 2011 (because Medicare SNF reimbursement is based on resident acuity levels and the location of a facility, **the average Wisconsin SNF experienced a Medicare rate cut of 12.6%**); and (3) Under federal sequestration, Medicare Part A payments to health care providers were reduced by an additional 2% on April 1, 2013 (\$12.8 million annually) and will continue to be reduced 2% annually through 2024.
- Over 40 Wisconsin nursing homes have closed in the past decade, primarily because of insufficient Medicaid reimbursement, all prior to the imposition of these Medicare cuts. Three facilities closed in the last two years and an additional three facilities are currently in the process of closing.
- No one has ever accused a Wisconsin nursing home of being overstaffed or its caregivers being overpaid. Indeed, the average Wisconsin nursing home nurse aide, the primary caregiver in a nursing home, earns \$12.94/hour to care for some of the frailest and most vulnerable members of our society. ***How can we continue to provide quality care to our frail elderly and persons with a disability when we can barely provide a living wage to those who provide that care?***

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