

Fact Sheet: The Underfunding of Nursing Facility Resident Care

2015 Senate/Assembly Bill 21, the 2015-17 state budget bill(s), not only fails to provide nursing homes with a Medicaid rate increase; unlike the previous two budgets, SB/AB 21 also fails to provide nursing homes with an acuity adjustment. If SB/AB 21 is not amended to provide nursing homes with additional funding, just over 88% of Wisconsin's 376 nursing homes will receive a cut in their July 1, 2015-June 30, 2016 Medicaid rate.

But the underfunding of nursing homes in Wisconsin is not a new story.

The most-recent comprehensive analysis of the nation's Medicaid nursing home payment systems ranked the Wisconsin system the 2nd worst in the country. The March 2015 study, "Report on Shortfalls in Medicaid Funding for Nursing Center Care," was conducted by Eljay, LLP and Hansen Hunter & Company PC, a pair of national accounting and consulting firms, and revealed that Medicaid deficits sustained by Wisconsin's nursing facilities are the second highest in the country, surpassed only by New York.

Indeed, the Wisconsin Medicaid program's own database of facility-specific cost and reimbursement information for 2013-14 (the most recent data available) vividly illustrates the system's inadequacies. It reveals the following:

- Medicaid recipients in 2013 (17,258 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 nurse aides, or CNAs).
- In the 2013-2014 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., their "Medicaid deficit") was \$329,151,095.
- 368 of the 376 nursing facilities in the state's database, or 97.9%, received a Medicaid payment in 2013-14 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 \$154,536,694, or 47%, of the total costs Medicaid failed to reimburse in 2013-14.

- Wisconsin nursing facilities, on average, lose \$52.11* per day for each Medicaid resident they serve. For the average Wisconsin nursing home, that results in an annual loss of \$1,074,400* to provide care to its Medicaid residents. (* includes supplemental payments to county- and municipally-operated facilities).
- Medicaid underfunding inhibits the ability of nursing facilities to recruit and retain caring and competent staff. An illustration of that dilemma was made crystal clear in a recent survey of nursing home providers, which found that nursing homes in this state are experiencing an 8.95% staff vacancy rate: 8% for RNs, 7% for LPNs, and 11% for CNAs, who provide most hands-on care in nursing homes.
- 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; 23% are private payors; and the remaining 12% are Medicare beneficiaries.
- Private pay nursing home residents are subsidizing Medicaid underfunding by paying rates that average nearly \$100 per day higher than a facility's Medicaid payment rate (average 2013-14 Medicaid payment rate: \$161.12 per day) for virtually the same care a Medicaid resident receives.
- Medicare subsidization of Medicaid nursing home losses also has been significantly curtailed: (1) The Affordable Care Act reduced Medicare expenditures for skilled nursing facilities (SNF) by \$14 billion through 2020; (2) Additional SNF reimbursements cuts went into effect October 1, 2011; the average Wisconsin SNF experienced a 12.6% Medicare rate reduction that year; and (3) Under federal sequestration, Medicare provider payments were reduced by an additional 2% on April 1, 2013 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.
- No one ever has accused a Wisconsin nursing home of being overstaffed or its caregivers being overpaid. But we find the following comparison most troubling: WalMart recently upped its average wage for full-time workers in WI to \$12.94/hour, just below the \$13.13 hourly wage the average WI CNA earns for caring for some of the 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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