

## MEDICAID

### Issue

Seniors and people with disabilities' access to high quality care in long term care settings is threatened by chronic under funding of long term care by the Medicaid program and threatened by significant cuts to Medicaid in states with dire budget crises. Medicaid cuts will create financial instability in the nation's long term care system and undermine ongoing efforts to improve quality. The state and federal Medicaid program funds the majority of long term care (particularly nursing home care and intermediate care facilities for persons with mental retardation known as ICFs/MR) for our nation's elderly and disabled.

### AHCA/NCAL Proposal

In the short-term, Congress must guard against detrimental financial and programmatic reforms to the Medicaid program that would diminish access to quality care or undermine the financial stability needed to ensure quality care. Increasing pressure is mounting on the states' Medicaid programs and states should resist efforts by Congress to have states shoulder more risk. A financial burden could be lifted from states by federalizing the health care costs of the dually eligible population. Additionally, Congress must also begin exploring and enacting creative new solutions to meet the future long term care needs of 77 million aging baby boomers. Such solutions must allow the nation and its citizens to move beyond today's pay-as-you-go financing system to one that encourages, supports and protects individuals who choose to plan for their own long term care needs through private insurance and other financial means.

### Background

Today, government is the primary payer for long term care services. Medicaid pays the nursing home bills for two out of three residents and about 10 percent of those in assisted living settings. Medicare does not pay for assisted living or residential care, but does pay a limited benefit (100 days) for 10 percent of those in nursing homes. The remainder of residents pay privately, either out of pocket or with insurance. Approximately 95% of the clients in ICFs/MRs rely on Medicaid to pay for their care.

As the largest government payer, the Medicaid program has grown to account for as much as 20 percent of state budgets. Because of the economic downturn, states today are suffering from decreased revenues and are straining under increased costs and enrollments. They are hard pressed to find new dollars to devote to their Medicaid program. According to the Kaiser Commission Study on Medicaid Spending Growth, 49 states report that they have already made or will institute cuts to their Medicaid programs this year. The report indicates that the outlook for 2004 appears no better.

Compounding the financial problem that most states face, is that costs of providing care are rising dramatically for providers. These rising costs are driven, in part, by higher labor costs, skyrocketing liability insurance premium costs and other operating factors.

Along with struggling with decreased Medicaid dollars, states also are struggling to comply with the New Freedom Initiative, which is the implementation of the Supreme Court *Olmstead* decision. As states are moving quickly toward programs that transition people from institutions to home- and community-based services, every state must drastically improve its infrastructure to support at-home services, which like facility care, is inadequately funded. The result is already scarce resources being further stretched to provide expanded services in the community.

In 2001, the average Medicaid rate for nursing home care was \$117.70 a day. This rate includes federal and state dollars and amounts to about \$4.90 an hour, which is less than what one would pay a teenage babysitter. This rate falls far short of the all the services that caregivers are expected and required to provide. This includes:

- 24-hour nursing care;
- three-plus meals per day with important dietary supplements;
- social activities;
- room and board;
- medical supplies such as beds and wheelchairs;

- time with staff and other essential care services for toileting, grooming, bathing, and eating.

A national survey conducted by BDO Seidman, a highly respected accounting and consulting firm, found that Medicaid paid \$11.55 dollars per patient day less than the actual cost of the care being provided in 2001. That shortfall translates into a \$4.1 billion shortfall nationally. It is a loss that providers have no choice but to absorb because they have no federal statutory protections guaranteeing that reimbursement rates must cover the cost of the care that they are required to provide.

#### **Status**

- The Final Congressional Budget Resolution does not include mandated cuts to the Medicaid program
- The House Energy and Commerce Committee, through a series of hearings, will be looking at areas for reform in the Medicaid program.
- AHCA supports efforts to extend the Medicaid funding included in the state fiscal relief that expires June 30<sup>th</sup> of this year.
- AHCA and NCAL will seek an active role in hearings, guarding against detrimental reform and advocating the need to stabilize Medicaid funding in the short term so that more comprehensive financing reforms can be enacted in time to meeting the long term care needs of the nation's aging baby boomers.

#### **Action**

Members of Congress should oppose detrimental Medicaid financial and programmatic Medicaid reform legislation. They should support legislation that provides Medicaid short term funding relief and long term reforms to long term care that would ensure high quality of care for America's seniors, and persons with disabilities, and improve the working environment for America's long term care caregivers.

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