Medicaid: Funding Nursing Center Care in Minnesota

The Medicaid program funds long term services and supports (LTSS) for seniors and people with disabilities across the nation, helping them accomplish basic daily activities like bathing, getting dressed, fixing meals, and walking.

People who require nursing center care under Medicaid typically require extensive help with basic daily activities, assistance due to Alzheimer’s disease or other dementias, and can have multiple chronic conditions. Medicare and private insurance do not cover many of these critical services. Medicaid should be protected and preserved, as any cut puts these millions of Americans at severe risk.

Minnesota Profile

Total Nursing Centers: **378**

Total Employees: **35,213**

Total Direct Care Staff: **19,019**

Total Patients Served: **78,500**

Percent of care covered by Medicaid: **53.0%**

Total Long-Stay Patients: **34,319**

Average Long-Stay Patient Age: **83**

Average Long-Stay ADL dependency: **8.1**

Average Percent of Long-Stay Patients with Dementia: **53.7%**
Nursing Centers: On the Brink

Congress: as efforts continue to reform Medicaid, do not cut services for elderly Americans and individuals with disabilities. America’s nursing centers cannot shoulder any more strain when it comes to taking care of the country’s most vulnerable and frail citizens.

There are 15,000 nursing centers with 1.8 million employees nationwide serving 4 million patients a year, and yet the profession is on the brink. Years of reimbursement cuts, underfunding, and overregulation have left providers struggling to succeed. Despite this, many continue the profession’s commitment to quality, providing year-over-year improved care to some of America’s most frail and vulnerable individuals.

The long term care profession is contracting:

- Nursing centers survive on 1.6% operating margins.\(^1\)
- 63% of patients are covered by Medicaid.
- Medicaid pays 89¢ for every dollar of allowable costs incurred.
- Regulations and unfunded mandates are costing nursing centers hundreds of millions of dollars annually.
- 5-year low occupancy rate (82%) due to payment model changes and shortening lengths of stay.\(^2\)

Nursing centers provide critical care:

- Over 1 million Americans reside in nursing centers as their home and rely upon nursing center staff for care.
- Long-stay patients, on average, need assistance with 4-out-of-5 activities of daily living (bathing, feeding, walking, toileting, and transferring).
- 66% of long-stay patients have Alzheimer’s or another form of dementia.
- Nursing center care is improving on nearly every metric CMS measures.\(^3\)

Nursing centers already face financial hardship due to shortfalls and regulation:

<table>
<thead>
<tr>
<th>Medicaid Underfunding</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>TOTAL</th>
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<tr>
<td>$6.0 billion</td>
<td>$7.0 billion</td>
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<table>
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<tr>
<th>Payment Formula Changes</th>
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<td>$2.507 billion</td>
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<td>$735 million</td>
<td>$735 million</td>
<td>$735 million</td>
<td>$4.5 billion</td>
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Nursing center reimbursement has already been cut substantially in recent years:

<table>
<thead>
<tr>
<th>Affordable Care Act Productivity Adjustment</th>
<th>2011</th>
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<th>2013</th>
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<tr>
<td>$419 million</td>
<td>$746 million</td>
<td>$1,030 billion</td>
<td>$1,637 million</td>
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<th>Bad Debt</th>
<th>2011</th>
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<th>2014</th>
<th>2015</th>
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<tbody>
<tr>
<td>$230 million</td>
<td>$245 million</td>
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<table>
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<th>Therapy MPPR Cuts</th>
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<th>2015</th>
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<tr>
<td>$228 million</td>
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<td>$489 million</td>
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<th>SNF Rehospitalization Withhold</th>
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<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
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<tr>
<td>$300 million</td>
<td>$300 million</td>
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<tr>
<th>Market Basket 1% freeze SGR Repeal</th>
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<th>2013</th>
<th>2014</th>
<th>2015</th>
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<tr>
<td>$655 million</td>
<td>$873 million</td>
<td>$927 million</td>
<td>$1,036 million</td>
<td>$1,145 million</td>
<td>$1,364 million</td>
<td>$8.4 billion</td>
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\(^1\) MedPAC presentation, “Assessing payment adequacy and updating payments: Skilled facility services,” 12/6/16
\(^2\) Donna Mitchell. “Declines in Nursing Home Occupancy Levels Indicate Changes Afoot in Seniors Housing.” 10/10/16
\(^3\) See: http://qualityinitiative.ahcancal.org

\(\text{AHCA. AMERICAN HEALTH CARE ASSOCIATION 1201 L ST. NW WASHINGTON, DC 20005 WWW.AHCA.ORG}\)
Medicaid Cuts are Not the Answer for Vulnerable Assisted Living Residents

Ask Congress: To prevent cuts to Medicaid and ensure access to assisted living care for seniors and individuals with disabilities

Reforming Medicaid financing into per capita caps, which would cap federal funding per enrollee, would mean cutting the Medicaid program and shifting financial risk to states. In turn, states may have to cut crucial services for vulnerable seniors and individuals with disabilities, including long term services and supports (LTSS).

Fifteen percent of assisted living residents rely on Medicaid for their long term care. This includes those in the middle class who spend down their personal assets and rely on the program to continue receiving services in this setting they’ve grown to call home. Medicaid home and community based services (HCBS) waivers enable low-income seniors and individuals with disabilities to receive LTSS in the setting most suited to their needs and preferences, including assisted living.

A per capita cap system where the federal contribution would not keep pace with the cost of care would put more strain on the states, likely forcing them to further restrict eligibility and enrollment, and use wait lists. Already, more than 150,000 of the aged and aged/disabled populations were on waiting lists for HCBS services in 2014, with a wait averaging more than one year. Further cuts to Medicaid could cause many Medicaid recipients needing assisted living to either:

(1) never move into a community if the backlog is severe, or
(2) those in a community who spent down their assets and then qualified for Medicaid could have to move out while on the wait list, which would be incredibly disruptive to the resident. It is unclear where Medicaid beneficiaries would go after they moved out.

In 2014, more than 150,000 of the aged and aged/disabled populations were on waiting lists for HCBS services, with a wait averaging more than one year.

Furthermore, cutting Medicaid could discourage many assisted living and other long term care providers from participating in the Medicaid program altogether, which would further limit vulnerable seniors’ access to needed care.

Medicaid is a crucial safety net for low-income seniors at a crucial time for our entire health care system. Most Americans are not financially prepared for long term care, even though 7 in 10 seniors will need it at some point. Meanwhile, the size of the elderly population is expected to double in the coming decades. Without access to LTSS through Medicaid, vulnerable assisted living residents may forgo vital services, causing increased hospitalization rates and additional strain on the health care system. We urge members of Congress to prevent cuts to Medicaid and ensure protections for these low-income seniors and individuals with disabilities.

www.ncal.org
Medicaid: Funding Long Term Services and Supports for America’s Frail, Aged Populations

February 2017
We need your help to protect long term care service for the aged

Our Ask to Congress: Any effort to reform Medicaid should maintain the program’s current structure for the individuals who need these benefits the most. The aged, blind, and disabled populations that rely on Medicaid are uniquely vulnerable, and alternative methods of funding much needed care simply do not exist. Medicaid already underpays for certain services, and restructuring of federal financing could be disastrous for this population group. As efforts to reform the program move forward, lawmakers need to protect those who are the most vulnerable and ensure services like nursing care remain a mandatory benefit for these populations.

Nursing center care is delivered to over 4 million Americans in over 15,000 centers nationwide every year. The Medicare and Medicaid programs primarily fund the services provided in these centers. Medicare covers post-acute stays in these facilities, while Medicaid covers long term stays.

People who require nursing center care under Medicaid typically require extensive help with basic daily activities, assistance due to Alzheimer’s disease or other dementias, and can have multiple chronic conditions. Medicare and private insurance do not cover many of these critical services. When going forward with health care reform efforts, lawmakers must protect Medicaid’s critical role in caring for some of America’s most frail and vulnerable citizens.

People who require long term services and supports have unique care needs.
Individuals receiving long term services and supports (LTSS) under Medicaid have profound, ongoing needs. In a typical nursing center, 63 percent of the people there rely on Medicaid to finance part or all of their care. Additionally, virtually all individuals with developmental disabilities rely on Medicaid and 15 percent of residential care facility residents, including those at assisted living, rely on Medicaid.

Over one million Americans reside in nursing centers as their home. These individuals are extremely frail and over two-thirds suffer from dementia. On average, these residents need assistance with four out of the five activities of daily living, such as bathing, toileting, walking, feeding, and transferring.

The Average Medicaid Long Stay Resident...

80 years old
66% chance of having dementia
4 out of 5 activities of daily living

Needs Assistance with
Medicaid already underfunds nursing center care.

Despite the importance of Medicaid to the nation’s most sick and frail individuals, on average, providers were paid only 89 cents for every dollar of allowable costs for nursing center care in 2015. This amounts to a national shortfall that is expected to exceed $7 billion.

This comes at a time when the Medicare Payment Advisory Commission stated that total nursing center margins are at a razor-thin 1.6 percent.¹ Further erosion of this margin would threaten individuals who are in the greatest need of quality nursing services. Furthermore, it would likely force some nursing providers to pull out of the Medicaid program entirely in order to keep their doors open, creating serious access problems for patients with nowhere else to turn.

With such a reliance on Medicaid funding, there continues to be a major disconnect between what Medicaid pays for nursing center services and the cost of providing those services. Despite this gap, consumers expect and regulators demand that nursing center providers continue to deliver high quality patient care. Nursing centers continue to demonstrably improve quality of care despite the struggle to manage operating costs within reimbursement constraints and pressure to improve the physical environment for patients.²

$7 Billion

national nursing center Medicaid shortfall

89¢

the amount Medicaid pays for every dollar of nursing care

1.6%

nursing center margin

Few other options for financing long term care exist.

Few private long term care financing options are available, making Medicaid a critical resource for the nation’s frail elderly. Many Medicaid beneficiaries have exhausted their personal funds and have no other choice when it comes to how to pay for care.

The long term care insurance market has contracted significantly in recent years. Rising claims, low mortality, and lower than expected lapses have led to higher prices, which are often unaffordable to a large segment of the population. Sales are well below their 1990 levels, with group sales dropping nearly 50 percent in the last decade.⁴

² See: AHCA Quality Initiative results
Medicaid spending on nursing center care has remained relatively consistent compared with recent growth in overall programmatic spending. Between fiscal years 2009 and 2014, the average per-year growth of Medicaid spending on nursing center care has been consistently lower than overall program growth during this same time.³

### Medicaid Spending Growth

<table>
<thead>
<tr>
<th></th>
<th>FY09 to FY10</th>
<th>FY10 to FY11</th>
<th>FY11 to FY12</th>
<th>FY12 to FY13</th>
<th>FY13 to FY14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicaid percent change</td>
<td>5.7%</td>
<td>5.8%</td>
<td>1.3%</td>
<td>3.8%</td>
<td>8.1%</td>
</tr>
<tr>
<td>LTSS percent change</td>
<td>6.0%</td>
<td>-0.2%</td>
<td>1.7%</td>
<td>3.3%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Nursing Center percent change</td>
<td>0.3%</td>
<td>0.9%</td>
<td>-0.2%</td>
<td>2.1%</td>
<td>3.3%</td>
</tr>
</tbody>
</table>

Medicaid is a resource for individuals in assisted living communities.

The majority of assisted living residents pay for their room, board and care services through private funds. However, 15 percent of the nation’s 835,000 assisted living residents rely on Medicaid for their daily care. While Medicaid does not pay for room and board in assisted living, it can cover personal care services for residents and is important for ensuring that seniors can receive care in their preferred setting.

An estimated 47 percent of assisted living communities are Medicaid home and community-based service (HCBS) providers. Some communities have a majority of residents who are on Medicaid, while others will accept Medicaid for existing residents who have spent down their assets and since qualified for Medicaid.

Most state Medicaid programs use waivers to provide HCBS in assisted living, though a small number of states cover these services under their State Plan. For those that use waivers, a § 1915(c) HCBS waiver is the most common type. States may also use other waiver authorities, including § 1915(i) Medicaid State Plan HCBS, § 1915(k) Medicaid Community First Choice Option, § 1915(b) Medicaid managed care, or §1115 demonstration programs.

AHCA/NCAL wants to find solutions.

AHCA/NCAL has a proven history of working with lawmakers to find solutions that preserve quality of care while saving the government money. Medicaid cuts to elderly and frail populations, however, unnecessarily puts an already at-risk population in even more danger.

Ensuring access to quality care depends on sufficient Medicaid funding. As health care reform efforts move forward, lawmakers must protect America’s most frail and vulnerable populations by ensuring they have access to meaningful Medicaid coverage. Medicaid should be protected and preserved, as any cut puts these millions of Americans at severe risk.

1 National data are collected on residential care facilities, which include assisted living communities, by the National Center for Health Statistics in the Centers for Disease Congtrol. For the purposes of this brief, AHCA/NCAL refers to these facilities as assisted living communities