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Federal Changes in Medicare Threaten Care, Jobs at PA Skilled Nursing Facilities

HARRISBURG – Severe cuts in federal Medicare funding threaten Pennsylvania’s already fragile skilled nursing facility sector. These cuts, combined with inadequate Medicaid reimbursement, may very soon limit access to Pennsylvania nursing home care, place the quality of care at risk, and jeopardize thousands of health care jobs, said Dr. Stuart H. Shapiro, MD, President and CEO of the PA Health Care Association.

Pennsylvania’s nursing homes will suffer a nearly \$200 million cut in their annual Medicare payments beginning Oct.1 under a new rule announced by the Centers for Medicare and Medicaid Services (CMS). This translates into an 11.1% cut in their basic Medicare rates. Coupled with other provisions in the new rule still being analyzed, Medicare rates for Pennsylvania’s skilled nursing facilities could be reduced by as much as 18 percent, which would increase the annual losses to \$300 million.

“We recognize that there are limited state dollars in Pennsylvania, and appreciate that Governor Corbett and state legislators made the care of the frail and elderly in nursing homes a priority while negotiating the recent state budget,” Dr. Shapiro said.

Because nursing homes have struggled year after year with Medicaid reimbursement that is far below the true cost of that care, strong Medicare payments are essential to the very survival of Pennsylvania nursing homes. Nursing homes lose, on average, more than \$19 per Medicaid resident per day, but Medicare payments have, to date, allowed them to provide that care.

Shapiro added, “These draconian cuts in Medicare now threaten this care and the jobs of those who care for the frail and elderly in Pennsylvania. Any future cuts in Medicaid or Medicare may collapse an already fragile system of care – with unthinkable and tragic results.”

Two-thirds – or 65 percent – of nursing home residents are on Medicaid, which is the taxpayer-funded health insurance program for those in need.

All health care providers including hospitals, doctors and nursing homes, lose money caring for individuals on Medicaid. They make up for these losses by turning to other payment sources, including private health insurance and Medicare.

But nursing homes lack the flexibility of other providers to shift their Medicaid losses to other payers because they serve such a large percentage of Medicaid residents and such a small percentage of Medicare (15%) and even fewer with private insurance (4%). Hospitals and doctors care for fewer patients on Medicaid, and more patients on Medicare and private insurance.

“Nursing homes don’t have the same opportunities as other health care providers to make up for their Medicaid losses, so cutting Medicare has a devastating, domino effect,” Dr. Shapiro said. “With so few private insurance and private pay patients, nursing homes rely on Medicare payments to barely counter their Medicaid losses so that they can retain qualified caregivers and provide high quality care to their residents and patients.”

In Pennsylvania over the last four years alone, nursing homes received \$1 billion less than what the care to those on Medicaid cost, including \$286 million in 2010 alone. A soon-to-be-released national study shows that Pennsylvania’s nursing home Medicaid shortfall rose 27 percent in 2011, from a loss of \$15.13 per patient per day to a loss of \$19.23 per patient per day.

Furthermore, national health care reform calls for cutting Medicare payments to nursing homes by \$14.6 billion nationally over the next 10 years, and Congress has yet to decide what cuts it will make to entitlement programs in its efforts to reduce the national debt.

“The combined Medicare cuts are devastating. Pennsylvania’s skilled nursing facilities simply cannot absorb a Medicare cut of this size, especially at a time when their Medicaid reimbursements are so far below the actual cost of care,” Dr. Shapiro said. “CMS doesn’t seem to understand, or is choosing to ignore, the inter-relationship of Medicare and Medicaid, and is thus jeopardizing care for our frail and elderly loved ones, and are jeopardizing the jobs of the dedicated men and women who provide that care.”

The nation’s financial markets have already responded to the CMS Medicare cuts, with many nursing home stocks taking a nosedive earlier this week. The financial markets understand the hydraulic effects – the inter-relationship – of Medicare and Medicaid.

Dr. Shapiro called on Pennsylvania’s Congressional delegation, and the Obama Administration, to fight for care for their most frail and elderly constituents by not cutting Medicare or Medicaid funding any further as they move into phase 2 of their work on reducing the national debt.

“Any further cuts in Medicare, and the shifting of obligations of the federal government to the state level, will result in a ‘double whammy’ of pain and indignity to our nation’s elderly and will leave their families reeling,” Dr. Shapiro said. “At a time when our nation’s senior population is increasing and more families are seeking care for their loved ones, we’re heading in exactly the wrong direction.”

PHCA and the Center for Assisted Living Management are statewide advocacy organizations for Pennsylvania’s most vulnerable older residents and their providers of care. Members comprise for-profit, nonprofit and government providers. Together, they represent more than 330 long-term care and senior service providers that care for more than 33,000 elderly and disabled individuals. For more information call 717-221-1800 or visit www.phca.org or www.calmpa.org.

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