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NEWS

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National study: Medicare cuts forcing nursing home layoffs, benefit cuts, delays in renovations/expansions

HARRISBURG – A newly-released national study confirms that nursing homes nationwide – including those in Pennsylvania – plan to reduce staff, cut benefits, and delay projects that could generate jobs because of a new federal regulation that took effect in October, slashing Medicare payments by more than 11 percent.

The study, published by Avalere Health LLC and the Alliance for Quality Nursing Home Care, surveyed nearly one-fifth of the nation’s nursing homes regarding the impact of the cuts.

Among its findings:

- 37 percent of facilities plan to lay off direct care workers (RNs, LPNs and nurse aides)
- 74 percent plan to change wage rates, including reduced or frozen wages, and lower starting wages for new employees
- 48 percent plan to change benefits, including reduced or eliminated contributions to retirement plans, increased cost-sharing for health insurance, reduced insurance benefits.

The survey estimates that nationally, the nursing home profession will experience 20,000 layoffs and another 20,000 jobs lost due to abandoned renovations and construction.

In Pennsylvania, long-term care providers – the state’s eighth largest employer, generating \$23.5 billion in economic activity – already have begun making some of these changes.

“While we do not yet know the full impact of the cuts since they took effect in October, we do know that many Pennsylvania nursing homes already have made changes to reduce their costs,” said Stuart H. Shapiro, MD, President and CEO of the Pennsylvania Health Care Association (PHCA).

Pennsylvania's nursing homes suffered a nearly \$200 million cut in their annual Medicare payments under the new rule 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 rule, 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.

Compounding these Medicare cuts, over the last four years alone, Pennsylvania nursing homes received \$1 billion less than what the care to those on Medicaid cost, including \$286 million in 2010 alone. Pennsylvania nursing homes' 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.

"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 \$7,000 per Medicaid resident per year, but Medicare payments have, to date, allowed them to provide that care," Shapiro said.

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."

To view the Avalere/Alliance survey, go to: <http://www.aqnhc.org/news/167>.

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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