

Testimony of
Anne Henry, Chief Operating Officer
Pennsylvania Health Care Association (PHCA)/Center for Assisted Living Management
(CALM)
on
“Long Term Care in Pennsylvania”
before the
Senate Aging & Youth Committee
at the
LIFE Center at the Beaver Valley Mall
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Chairman Ward, Chairman Washington, members of the Committee: Thank you for the opportunity to appear before you today to discuss the very important issue of long term care in Pennsylvania and the multi-faceted challenges that policymakers and providers must address in order to fulfill the needs of our elderly and disabled citizens.

My name is Anne Henry, Chief Operating Officer of the Pennsylvania Health Care Association and the Center for Assisted Living Management (PHCA/CALM), a statewide advocacy organization for the commonwealth’s elderly and disabled residents and their providers of care. Our mission is to ensure that those who need long term care receive quality services in the most appropriate and cost-effective setting at each stage of their life.

Our members are based throughout the Commonwealth and include proprietary and non-profit organizations that offer services that range from integrated retirement communities and multi-level care campuses to freestanding nursing homes, assisted living/personal care homes and ancillary care/home care enterprises. PHCA/CALM represents more than 340 long term care and senior service providers that care for nearly 33,000 elderly and disabled individuals on a daily basis across the state.

I’m going to get straight to the point – Pennsylvania nursing homes are in the fight of their lives. The funding they have relied on to keep them afloat in the past is under attack, and the fallout comes down to this – access to nursing home care and the quality of that care is very much at risk for older Pennsylvanians and their families.

For years in Pennsylvania and across the country, Medicaid reimbursements have fallen far short of covering the true cost of care for nursing home residents. On any given day, two-thirds of the residents in Pennsylvania’s nursing homes are on Medicaid, and for each one of them, the nursing home is forced to absorb an average of \$19 a day, or \$7,000 a year. That shortfall is a 27 percent increase from last year’s \$15 per day shortfall. The reason the shortfall has increased is because nursing home costs – such as labor, drugs, medical supplies, food and utilities – have increased this past year, but reimbursement has not.

Over the last four years, Pennsylvania nursing homes were reimbursed **\$1 billion** less than what they were owed for care provided to those on Medicaid. Profit margins for nursing homes hover

around 2 percent – one of the lowest among all health care sectors. This is not sufficient to make up for the Medicaid shortfalls.

Facilities have been forced to pay lower wages than other health sectors, which leads to higher turnover. They have delayed the purchase of new technologies or equipment that would make senior care easier or more efficient. And they have delayed vital capital improvements that would make nursing homes more comfortable and attractive.

These have been difficult decisions, but nursing homes are doing all they can to make ends meet. The choices are limited. In fact, what many don't realize is that Medicare revenues for short-term rehabilitation patients have in the past helped nursing homes fill the Medicaid funding shortfalls, thus enabling nursing homes to weather some of these losses.

However, this is all about to change. Medicare funding to nursing homes is about to be reduced by astronomical proportions. This will require nursing homes to look more closely at the cost of providing quality care to individuals needing extensive or complicated services before they can accept them from hospitals. This is true for all payment sources but is becoming increasingly the case for those on Medicaid. Hospital discharge planners have told us they are often being forced to call multiple nursing homes – both nonprofit and for profit – before they can find one who can take a Medicaid patient. This is precisely the wrong time for Pennsylvania to have a lack of access to quality nursing home care.

Medicare --- which pays for healthcare for older Americans, including some of the skilled nursing and rehabilitative services provided by nursing homes --- is about to be cut as a result of federal health care reform which expands health care coverage to millions of Americans. For Pennsylvania's nursing homes, this means that Medicare payments will be cut by \$1 billion over the next ten years.

To make matters worse, the Centers for Medicare and Medicaid Services (CMS) recently announced a rule that will slash Medicare payments to nursing homes by 11.1 percent. As you may have read in the letter we recently sent to each of you, beginning October 1st, Pennsylvania nursing homes will lose \$200 million in Medicare funding each year. This coupled with other changes to therapy services will deepen these cuts by an additional \$100 million. It should be noted that nursing home therapy services allow numerous seniors to return home after a short rehabilitative stay. All told the total cut to Medicare payments will be close to \$300 million from this federal rule change alone.

Nonetheless, members of the debt 'Super Committee' – including U.S. Senator Pat Toomey of Pennsylvania – are discussing more Medicare cuts in their quest to identify \$1.5 trillion in debt savings. If the committee does not act by Dec. 23, Medicare payments automatically will be cut by another 2 percent, costing Pennsylvania's nursing homes approximately an additional \$30 million.

Aside from cutting Medicare, the Super Committee also is discussing scaling back federal support to state Medicaid programs by reducing the federal match and reducing or eliminating "provider assessments" that enable states to generate revenue. Pennsylvania's nursing home

provider assessment will generate \$434 million in state dollars next fiscal year. That's money that directly funds care to nursing home residents.

The message is clear: Continued cuts to Medicare and Medicaid threaten an already fragile long term care delivery system. While few are looking to the federal government to rectify these shortfalls anytime soon, federal stimulus dollars that had saved state Medicaid programs during the recession are gone and states like Pennsylvania are facing the very real challenge of keeping up with populations that are old and getting older, fast. The first wave of the nation's 79 million baby boomers turned 65 this year, and the need for long term care is growing.

In recent testimony before the Health Subcommittee of the Committee on Energy and Commerce on the effect of federal health care reform on Pennsylvania, Department of Public Welfare Secretary Gary Alexander stated that in 2014, an additional 750,000 Pennsylvanians will be entitled to Medicaid coverage. According to Secretary Alexander, the total cost of the federal health care reform program to Pennsylvania taxpayers will be \$11.4 **billion** over the first 10 years.

With Medicaid funding already stretched thin, financing new health insurance entitlements will require taking money from other programs, and that likely includes senior care. That's a seriously flawed approach that's sure to backfire.

Governor Corbett and members of the General Assembly made the care of the frail and elderly in nursing homes a priority in the current state budget. Nursing home caregivers, residents and their families are very thankful that you did. But even so, with the cost of care continually rising, and now with Medicare payments under attack, it has never been more vital that Pennsylvania find a way to more adequately pay for the care of its elderly in nursing homes. Older Pennsylvanians deserve better, and the programs they rely on deserve our continued support.

Governor Corbett, in his very first budget address earlier this year, talked about how he had to make difficult decisions between the "must haves" and the "nice to haves."

For the frailest and sickest elderly in nursing homes - care is clearly a "must have."

PHCA/CALM believes it is appropriate to provide home and community-based services as an option to certain of our citizens; however, now is not the time to be spending our very limited resources on expanding the "nice-to-haves." Now is the time to focus them on the "must-haves."

Let me be clear, no one should be in a nursing home if it's more appropriate and cost-effective for them to live in the community. That's something we all agree on. However, the administration of home and community-based services must be carried out in a safe and responsible manner. Unfortunately this has not always been the practice.

Let me share a personal example. An acquaintance of mine's father was receiving Medicaid-funded home care services. At Christmas, instead of providing care to him, the aide spent her Medicaid-funded time helping his wife put up, and later take down, their Christmas decorations.

While that was a nice gesture, is that really how we should be spending limited Medicaid resources?

The fact is, the growth of Pennsylvania's home- and community-based services over the past 10 years has not reduced nursing home expenditures or reduced the nursing home Medicaid population. The HCBS programs have simply expanded long term care eligibility and coverage for a broader population and resulted in increased expenses to the Medicaid program.

A national analysis, performed in 2006 by the U.S. Department of Health and Human Services, of three national datasets describing long term care populations indicated that nursing home residents were found to have considerably more limitations in their ADLs (activities of daily living) and much higher prevalence rates of Alzheimer's and related dementia than residential care populations.

In terms of Pennsylvania, the Centers for Medicare and Medicaid Services (CMS) data from 2009 shows that Pennsylvania nursing home residents' ADL dependency is higher than the national average indicating that our residents are even older and sicker with a higher degree of dependency than most other states in our nation

If you consider the level sickness of individuals being added to the HCBS program, you will find that they are not as sick or as severely impaired as those that need the care of a nursing home. The literature shows that this is true on the national level and it is true for Pennsylvania.

When looking at the population in nursing homes, you will find that the number of Medicaid residents have been reduced by less than 2 percent – that's about 1,000 fewer people per day on Medicaid – over the past five years. In comparison, the number of Medicaid-funded individuals receiving care at home or in the community has increased from nearly 18,000 in 2003 to more than 39,000 in 2010.

It is important to note that from 1995 to 2005, Pennsylvania's elderly population actually decreased slightly before it began its dramatic up-swing. One would have expected nursing homes' census to have decreased slightly. Not only has the number of annual nursing home users on Medicaid remained relatively flat while HCBS services doubled, but the average daily Medicaid census for Pennsylvania has also remained constant.

Additionally, numerous studies -- including one that was published this year by the Commonwealth Foundation - have shown that home care does not result in overall savings. Providing more home care sometimes delays, but does not replace, institutional care, and actually costs more in the long run because it discourages care provided by family and friends.

As we start into the FY 2012-13 budget process, we will be imploring Governor Corbett and the General Assembly to more adequately fund Medicaid residents in Pennsylvania's nursing homes because gone are the days when nursing homes can balance the Medicaid shortfalls through Medicare revenues.

PHCA/CALM will also be doing our utmost to advocate strongly to our federal legislators, including U.S. Senator Pat Toomey, to forgo any further cuts to Medicaid and Medicare at the national level as they continue to work on the nation's debt/deficit reduction plan.

I don't envy you as you enter into budget discussions for next year as they will likely require difficult decisions on how to spend the very limited Medicaid dollars we have --- dollars that could be lessened even more by the Super Committee's proposals.

However, our social services safety net, particularly for the frail elderly who need the services of nursing homes, need to be shored up, not shot down. Older Pennsylvanians that rely on nursing home services deserve our continued support.

I thank you for your time and attention and am happy to answer any questions you may have at this time.