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# NEWS

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**National, State Long Term Care Leaders Express Concern That Looming Medicare, Medicaid Cuts Threaten Pennsylvania's Economy, Jobs Base**  
*New Report Details Importance of Nursing Homes to Local, State Economy; Underscores Importance of Bolstering, Not Weakening Long Term Care Sector*

**Pittsburgh, PA** – In releasing a new statewide analysis today at a news conference detailing the importance of nursing homes and the entire long term care sector to the economic vitality of Pennsylvania, national, state and local long term care leaders expressed concern that Medicare and Medicaid cuts contained in budget proposals issued by President George W. Bush and Governor Ed Rendell present a direct threat not just to the care of the Commonwealth's frail, elderly and disabled – but also to the local economy and employment base.

“With our lawmakers in Harrisburg and Washington now evaluating cuts to Medicare and Medicaid proposed by President Bush and Governor Rendell, we intend to be crystal clear that the proposed cuts will undermine seniors' care throughout Pennsylvania, as well as damage the local economy and employment base,” warned Alan G. Rosenbloom, President and CEO of the Pennsylvania Health Care Association (PHCA). “The bottom line to the analysis is that Medicare and Medicaid cuts represent a ‘lose-lose’ proposition for Pennsylvania seniors as well as Pennsylvania's economy.”

Joining Rosenbloom to release the report (available at [www.phca.org](http://www.phca.org)), from the nationally-recognized healthcare policy analysts, The Lewin Group, were Lewin's principal researcher and Senior Vice President, Al Dobson, and Drew LeRoy, Regional Director of Operations for Beverly Healthcare, with facilities throughout Pennsylvania.

According to the Lewin analysis, Pennsylvania's 732 nursing facilities had an estimated \$5.6 billion dollars in net revenues in 2002, resulting in a final demand effect of \$13.3 billion on output, and supporting 200,406 jobs for all industries statewide. The Metropolitan Statistical Area (MSA) breakouts (all 2002) are as follows:

**The Philadelphia metro area's** 141 nursing facilities had an estimated \$1.7 billion in net revenues, resulting in a final demand effect of \$3.82 billion on output, and supporting over 55,100 jobs for all industries statewide. *The region includes Bucks, Chester, Delaware and Montgomery Counties.*

**The Pittsburgh-metro area's** 128 nursing facilities had an estimated \$989 million in net revenues, resulting in a final demand effect of \$2.11 billion on output, and supporting over 31,000 jobs for all industries statewide. *The region includes Allegheny, Armstrong, Beaver, Butler, Fayette, Washington and Westmoreland Counties.*

**The Scranton/Wilkes-Barre area's** 46 nursing facilities had an estimated \$285 million in net revenues, resulting in a final demand effect of \$530 million on output, and supporting 7,980 jobs for all industries statewide. *The region includes Lackawanna, Luzerne and Wyoming Counties.*

**The Harrisburg-Carlisle area's** 31 nursing facilities had an estimated \$263 million in net revenues, resulting in a final demand effect of \$474.7 million on output, and supporting 6,059 jobs for all industries statewide. *The region includes Cumberland, Dauphin and Perry Counties.*

**The Reading area's** 16 nursing facilities had an estimated \$152 million in net revenues, resulting in a final demand effect of \$270.7 million on output, and supporting 3,762 jobs for all industries statewide. *Berks County*

**The Lebanon area's** 12 nursing facilities had an estimated \$95 million in net revenues, resulting in a final demand effect of \$153.3 million on output, and supporting 2,238 jobs for all industries statewide. *Lebanon County*

**The Altoona area's** 12 nursing facilities had an estimated \$76.5 million in net revenues, resulting in a final demand effect of \$123 million on output, and supporting 1,680 jobs for all industries statewide. *Blair County*

**The Williamsport area's** 8 nursing facilities had an estimated \$63.9 million in net revenues, resulting in a final demand effect of \$104.7 million on output, and supporting 1,572 jobs for all industries statewide. *Lycoming County*

Explaining the data and its broader implications, Lewin researcher Al Dobson said that nursing homes are key components of Pennsylvania's economy, particularly in rural areas where they often are the primary employer. If nursing homes were forced to close, whether due to cuts in government funding or other public policy decisions, the fallout could wreak economic havoc.

"In the short-term, the closure of nursing facilities will ripple through other economic sectors, since the demand for locally provided inputs, including labor and goods, will respond proportionately," Dobson said. "Over the long-term, potential reductions in nursing facility availability could further impact the economic development of a region, as individuals, businesses and other institutions explore other relocation options."

Outlining the proposed state and federal budget cuts, Rosenbloom said Governor Rendell's proposed budget could cut as much as \$214 million in essential Medicaid funding for Pennsylvania's most vulnerable population of seniors. This would represent a cumulative 7% cut in Medicaid. President Bush has proposed Medicare cuts of \$91 million next year and \$526 million over five years for Pennsylvania -- which translates into a 9% cut in Medicare.

Drew LeRoy, Regional Director of Operations for Beverly Healthcare, with facilities throughout the area, expressed frustration with the "funding rollercoaster" that has become all too common as facilities wrestle not just with skyrocketing costs, but continue their attempts to institute quality improvement initiatives. "We're proud of the quality improvements in our facilities that have been recognized by the federal government, yet we're dumbfounded that the response to success is to cut the funding we need to maintain and sustain quality gains."

Rosenbloom summed up the disturbing budgetary situation by observing that at a time when Pennsylvania's need for long-term care services is about to skyrocket, short-sighted budgetary decisions put care and services for older Pennsylvanians at substantial risk and threaten the economic vitality of the Commonwealth for the next decade. Rosenbloom continued that policymakers should seize the findings of the report to revamp budgetary proposals and policy changes to assure continuing access to quality care for thousands of older Pennsylvanians and to leverage our current nursing home capacity into a more robust long term care delivery system for the future.

## Key Pennsylvania Nursing Home Statistics

- **There are 82,000 frail, elderly and disabled Pennsylvanians residing in the Commonwealth's 732 nursing homes.**
- **PA is the second oldest state in the nation, second to Florida. The fastest growing age group is those aged 85 and older.**
- **The typical nursing home resident is female, over age 80, suffers from dementia, and needs special assistance while eating, bathing, transferring from bed to chair and toileting.**
- **Nursing homes are heavily dependent on government payment programs: Approximately 65% of patient days in PA nursing homes are paid by Medicaid and 10% are paid by Medicare. No other group of health care providers is as dependent on government for financial viability.**
- **Nursing homes have the lowest operating margins of any segment in the health care sector: less than 2.8%.**
- **In 1997, when the federal government cut Medicare payments to nursing homes by \$9 billion over five years, 20% of nursing homes in the Commonwealth were driven into bankruptcy.**

*PHCA is a statewide membership services organization representing approximately 300 long-term care and senior service providers throughout the Commonwealth. Additional information about PHCA is available by calling 717-221-1800 or visiting [www.phca.org](http://www.phca.org).*

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