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## NEWS

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### **State, Local Long-Term Care Leaders Outline Challenges Facing Patients, Providers as PA's Population Grows Older**

*PHCA President & CEO Stuart Shapiro says growing gap between the cost of care and government reimbursements threatens quality of long-term services in Pennsylvania*

**WHITEHALL, Allegheny County** – Pennsylvania's rapidly aging population poses significant funding and quality of care issues for families, caregivers and commonwealth agencies charged with safeguarding seniors, said Dr. Stuart Shapiro, President & CEO of the Pennsylvania Health Care Association (PHCA), a statewide advocacy organization for the commonwealth's most vulnerable older residents.

"Few issues are as pressing as ensuring that our frail, elderly and disabled residents get the quality care they need," Dr. Shapiro told legislators during a House Democratic Policy Committee hearing. "Especially as the baby boomer generation ages and seeks services, there will be an even greater need to strengthen and invest in our long-term care system, which is already nearing a breaking point."

Virtually every nursing home in Pennsylvania, whether for-profit or not-for-profit, loses money caring for Medicaid patients. A 2006 study of the nation's Medicaid program by the national accounting firm BDO Seidman found that, while the average cost of providing quality long-term care in Pennsylvania was \$192 per day, providers were reimbursed just \$179 per day, creating a funding gap of more than \$13 per resident per day.

"Nursing home costs have increased 27 percent between 2001 and 2005," Dr. Shapiro said. "During the same period, Medicaid reimbursements increased 18 percent. Providers that treat a small percentage of Medicaid patients may be able to absorb the lower rates of increase. The nursing home profession cannot." Medicaid and Medicare generate nearly 80 percent of facility revenues.

Although he commended Governor Edward G. Rendell for his ongoing commitment to protect the health of Pennsylvania seniors, Dr. Shapiro warned that the state's 2007-08 budget, which proposes less than a 2 percent increase for nursing homes, will make it harder for facilities to continue providing the high-quality care, especially with the Bush administration proposing massive cuts in Medicaid and Medicare.

The largest cost for all nursing homes is the wages earned by the dedicated staff of nurses and aides who care for patients. This cost category represents 70 percent of all nursing home expenditures. Wages increase about 5 percent per year, meaning the governor's proposed reimbursement falls short of helping facilities meet this very basic need for quality staff.

In addition, the reimbursement for capital projects under the Pennsylvania Medicaid program is not keeping pace with the realities of maintaining nursing homes that are getting older and need improvements. In fact, the capital reimbursement in Pennsylvania has been among the worst in the nation. The reality is that replacing nursing home beds costs about \$100,000 per bed. Medicaid reimbursement is \$26,000 per bed in Pennsylvania.

“Better reimbursement is absolutely necessary to ensure continued high-quality services to our frail, elderly and disabled residents,” said Dr. Shapiro, who pledged to work with the administration and General Assembly to fine-tune the proposed budget commensurate with the enormous demographic challenges ahead.

Pennsylvania ranks third nationally by percentage of population age 65 or older, behind Florida and West Virginia, and fourth in the number of residents age 85 or older --- a segment of the population that comprises the most intensive users of nursing home care. By 2020, more than 25 percent of the state’s population, or some 3 million Pennsylvanians, will be age 65 or older --- a 50 percent increase in a little more than a decade.

“Because Pennsylvania is aging rapidly, and because we are a recognized leader for the services we provide to older residents, we also have the responsibility to lead the way in addressing these long-term care challenges,” said Division President William Meenan of Golden Living Centers, a PHCA member that operates 43 skilled nursing centers in the state, including seven in southwestern Pennsylvania.

Meenan noted that nursing homes are experiencing a dramatic shift in the face of patients under their care, with an increasing number of post-acute hospital short-stay patients requiring intensive medical rehabilitation. At Golden Living, the average length of stay for a new admission is 43 days, and 61 percent of all residents leave the facilities each year to return home or to another setting.

PHCA supports the expanded use of home- and community-based services (HCBS), and the governor’s budget proposes to increase the number of elderly Pennsylvanians eligible to receive care in these settings. However, Dr. Shapiro noted there is a mistaken notion that state resources can be saved by expanding HCBS. In fact, HCBS is a new and costly entitlement because of expanded long-term care eligibility and coverage for a broader population. The acuity level of most individuals being served through the HCBS program is below that of most nursing home residents.

“Facility care and home care are not mutually exclusive; they are complementary --- and each must be adequately funded as part of the entire long-term care continuum,” Dr. Shapiro told committee members. “You cannot rob Peter (nursing homes) to pay Paul (home-based care), and past commitments to nursing homes should not be sacrificed to create new entitlements.”

Dr. Shapiro outlined three other issues that he said are key to improving the long-term care delivery system:

- **Provider Assessment:** Created in 2003, the provider assessment has generated more than \$1 billion in federal matching funds to support the state’s long-term care facilities. The state is projected to receive \$408 million in federal funds this fiscal year. Future funding remains uncertain, however. Without legislative action, the provider assessment will sunset June 30, 2007.
- **Assisted Living Licensure:** In Pennsylvania, there currently is no distinction between “personal care home” and “assisted living residence.” Thirty-seven states specifically define “assisted living.” Pennsylvania does not. PHCA is working with the legislature and administration to create separate licensure categories for assisted living residences and personal care homes, with criteria for each defined in statute rather than in regulation.
- **Long-Term Insurance:** PHCA also strongly supports legislation that will encourage Pennsylvanians of all ages to purchase comprehensive long-term care insurance, which will relieve some of the pressures on government programs, enable families to plan and pay for their future health-care needs, and close the current cost-payment gaps that challenge facilities.

*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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