

**Testimony of
Audra Palmo
Administrator, Jefferson Hills Manor
And the
Pennsylvania Health Care Association (PHCA)
on
“Nursing Homes and the Governor’s Budget”
before the
House Appropriations Subcommittee
on
Health and Human Services**

Good Morning Chairman Mandarino and members of the House Appropriations Subcommittee on Health and Human Services. My name is Audra Palmo. I am a Nursing Home Administrator currently employed at Jefferson Hills Manor which is owned by Guardian Elder Care. I have been a licensed nursing home administrator in Pennsylvania since 2006, but have worked in the LTC industry in other capacities for 8 years

I am here not only representing Guardian Elder Care, but also the Pennsylvania Health Care Association (PHCA), of which we are a member. PHCA is a statewide advocacy organization for Pennsylvania’s elderly and disabled residents whose sole mission is to ensure that those who need long-term care receive quality services in the most appropriate setting as they age. PHCA represents more than 300 long-term care and senior service providers that care for almost 33,500 elderly and disabled individuals across the state.

Guardian Elder Care is a long-term care company that owns 17 nursing facilities across the state of Pennsylvania, comprised of 1,253 beds. Jefferson Hills Manor, the facility where I am the Administrator is currently licensed for 83 beds. Currently 58% of our population is funded by the Medicaid program.

First, let me commend this committee for its interest in long-term care in Pennsylvania and its commitment to look at some of the financial pressures facing our health delivery system, especially as the baby boomer generation ages and begins to seek services.

Now on to the reason we are here today, the Governor’s proposed budget.

Governor Rendell, when he introduced his proposed 2008-09 budget before a joint session of the General Assembly in February, said, and I quote:

“If you think that the widow of a World War II veteran in a nursing home is not entitled to Medical Assistance you are sorely mistaken --- and if you don’t, then by no means can you justify attacks on our Medical Assistance increases.”

End quote.

He's absolutely right. But what the Governor says and what his budget proposes are two entirely different things. The spending plan outlined by the Governor contains **NO** Medical Assistance rate increase for nursing home care.

When it comes to deciding how to fund the vast long-term care costs of an increasingly older population, Pennsylvania has more at stake than other states. So, let me paint the picture of Pennsylvania's demographics and their future impact to our commonwealth and its elder-care industry.

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. Nearly 70 percent of Pennsylvanians turning 65 this year eventually will require some form of long-term care.

Right now, 2 million of our 12 million Pennsylvania residents are age 65 or older. By 2020, more than 25 percent of our population, or some 3 million Pennsylvanians, will fall into that demographic. That is a 50 percent increase in a little more than a decade --- and it poses significant funding and quality of care challenges for families, caregivers and state agencies whose charge it is to safeguard the elderly and others.

In Pennsylvania, two out of three nursing home residents are paid for by Medicaid. In 2007, B.D.O. Seidman, a national accounting firm, reported that the commonwealth shortchanges those providing care to seniors on Medicaid by an average of \$12 per resident per day, or \$4,300 per resident per year.

Right now, virtually every nursing home in Pennsylvania, whether for-profit or not-for-profit, loses money caring for Medical Assistance residents. And this year, it could get even worse. Nursing homes face a potential double whammy with cuts proposed at the federal level to Medicare and a proposed zero percent increase in Medical Assistance at the state level.

There are few other health-care providers like nursing homes, which are so dependent on state and federal governments for the services they provide. Medicaid and Medicare generate nearly 80 percent of facility revenues. (Medicaid or Medical Assistance is a joint state/federal program that pays for nearly 65 percent of resident days of care in Pennsylvania's nursing homes. Medicare, a federal program, pays for approximately 13 percent of care.) Private resources and long-term care insurance make up the balance. By contrast, private insurance alone accounts for 42 percent of hospital revenues.

Nursing home costs have increased 27 percent between 2001 and 2005. During the same period, Medicaid reimbursements increased 18 percent. The average nursing home provider cannot continue to absorb the unreimbursed costs to take care of Medical Assistance residents long term. With over half of our residents being paid for by Medicaid, we are no different than the majority of facilities across the state.

In 2007, it is estimated that my building lost approximately \$10.75 per day per Medicaid resident. Extrapolated over 12 months, Jefferson Hills lose nearly \$150, 000.

We all realize that Pennsylvania is not alone in have a difficult budget year. But nursing homes have done their part to help the state during difficult fiscal times. Two years ago, nursing homes --- in an effort to help the administration during tough fiscal times --- agreed to terms of a lesser reimbursement than the system would have otherwise paid with the understanding that when it sunsets on June 30, 2008, the state would again cover the full cost of care for Medical Assistance nursing home residents. Specifically, Medical Assistance paid nearly **\$290 million less** than it owed for the care of Medical Assistance residents living in nursing homes over the last three budget cycles. Nursing homes have fulfilled our end of this promise. Unfortunately, the Governor's budget has not upheld its side of the understanding.

In reality, because of the increasing costs of caring for ever sicker Medical Assistance residents, and the fact there is no additional dollars to account for the increased acuity, the zero percent increase in the proposed budget is actually a cut in funding that simply exacerbates the already underfunding of the Medicaid program.

Because of the reality of Medicaid funding, many nursing homes are dedicating more beds to short-term Medicare rehabilitation residents, where reimbursements are greater. If this trend continues, and facilities continue to increase their proportions of Medicare replacing Medicaid, those individuals who are Medicaid eligible on day one, could face a serious access to care issue in many part of the state.

Nursing home residents will continue to receive high-quality health care, but make no mistake: the deficit in Medical Assistance payments clearly and adversely affects their quality of life. Activities that allow residents to enjoy the same things that the rest of us enjoy --- such as special music, picnics, movies, community outings or something as simple as an occasional ice cream cone --- are being reduced because there is no money to fund them. Nursing homes will continue to be forced to delay capital improvements and beautification projects that would provide residents with a more home-like atmosphere.

Another unintended side effect of low Medical Assistance reimbursement is on those that have resources to pay for their care. When government reimbursements go down or fail to compensate for the care that is provided, the cost of nursing home care goes up for our private pay population. Self-paying older and disabled Pennsylvanians have to pay more to make up the shortfall. This is not by choice, but rather necessity for many facilities across the commonwealth.

Caretakers also pay a price when facilities receive fewer and fewer resources. Their wages and benefits are directly affected by state reimbursement deficiencies that don't appreciate the physically challenging and emotionally draining job they do.

While I have focused exclusively on nursing homes and the budget's impact to this point, it is important to also talk about the expansion of home and community-based services (HCBS) and their relation to nursing home funding.

I believe in a broad continuum of care that enables people to age in the most appropriate place. Because of that belief, I want to commend the Governor for wanting to expand home and community care for low-income seniors and disabled residents who aren't sick enough to need a nursing home or transition from a facility back to the community. We have dedicated staff at our nursing homes who work closely with local Area Agencies on Aging to do just that.

I started out in LTC as a medical social worker and worked very closely with the AAA's. I can state, without question, that the services they offer do not compare to the care that a nursing facility provides. AAA programs such as the waiver program offer a maximum of eight hours of care per day five days per week. Families of people who are truly nursing home eligible are encouraged to make up the other 16 hours of needed care. This is not a realistic approach to adequately and safely care for their family members. Often, AAA providers of these services could not meet the need for staffing for those in the community and call offs sometimes leave people without caregivers. AAA employees have accepted people into their programs who are truly not appropriate for their services as they are concerned they will lose waiver slots and therefore have funding decreased.

This provides a good transition to talk about the specifics of home and community based services in Pennsylvania. However good the intentions and goals of HCBS are, Pennsylvania's efforts are not having their desired results.

Based on data from the Department of Public Welfare, since the 2002-03 fiscal year, the annual number of nursing home residents on Medicaid has remained relatively constant, around 80,000. Over the same period, however, the number of HCBS beneficiaries has more than doubled, from 17,964 users to a projected 36,787 users. Some argue that without expanded HCBS programs; these 20,000 individuals would be in nursing homes. That simply isn't true.

The acuity (or "sickness") level of most individuals being added to HCBS does not rise to a level of care that those in nursing homes need. What the Medicaid HCBS program really has done is expand long-term care eligibility and coverage for a broader population. Most of these individuals previously would have been cared for by family members, friends or the community. Now their care is paid for with Medicaid dollars. While we fully support HCBS, the dollars for it should not be taken from those needed to provide quality nursing home services.

The theory that nursing-home utilization will decrease as seniors are moved toward home care has not panned out in other states --- and is even less likely to do so in states like ours with rapidly aging populations. In fact, several states have experienced skyrocketing, unchecked demand for this HCBS care, which resulted in unexpectedly higher state costs.

It also is essential that the full and real costs to taxpayers of HCBS be carefully tracked to include housing, meals, housekeeping, routine health-care services and therapies, social services, transportation, drugs, respite care, etc. These same costs are included in the nursing home daily rate. They are not for HCBS, however.

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. 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.

Another common misconception that has been stated publically is the fact that Pennsylvania is second in the nation in Medicaid nursing home expenditures per person. This isn't the whole story. In reality, Pennsylvania spends very close to the national average. The numbers in the governor's budget were arrived at by dividing the commonwealth's total Medical Assistance nursing home spending by the total state population. However, they do not consider the demographic factors influencing Pennsylvania's Medical Assistance nursing home spending, such as the extremely high number of elderly in the state and the percentage of nursing home residents who are on Medical Assistance.

If you accurately and fairly examine our commonwealth's Medical Assistance nursing home spending by comparing the cost to the number of people served with those dollars, a different picture emerges. Pennsylvania spends only 5 percent higher than the national average, which makes sense, since the cost of living and the cost of health care are higher in Pennsylvania than the national average.

At a time when our population is aging rapidly --- at a time when millions of baby boomers are starting to retire and seek services --- at a time when there is a clear need for greater investments in long-term care --- the governor's budget does not do enough to account for these drastic demographic changes.

Failing to fulfill its commitment to restore adequate funding for nursing home care is nothing less than a broken promise to the commonwealth's frail, elderly and disabled --- **the most vulnerable among us.**

Given a state budget of \$27 billion, Pennsylvania's seniors deserve better.