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Increased Investment in Medicaid Needed to Protect Texas' Most Vulnerable Seniors' Care Access

Texas Health Care Association Tells House Panel Nursing Home Staffing and Quality Programs at Risk from Combination of Medicaid, Medicare Cuts; Long Term Care Profession's Views on Pay for Performance, Long Term Care Insurance Outlined

Austin, TX (May 1, 2008) – In testimony before the House Health and Human Services Committee today, Tim Graves, President of the Texas Health Care Association (THCA) said that in order to protect Texas' most vulnerable frail, elderly and disabled seniors, it will be essential in the year preceding the 2009 legislative session to initiate a vigorous discussion about how to strengthen the Texas Medicaid program's reimbursement rate, which has dangerously slipped to 49th in the entire nation. Graves also commented on the unfortunate uptick in closures and bankruptcies throughout Texas, and outlined the profession's views on so-called pay for performance programs and private long term care insurance.

"Now more than ever, we need to have an earnest, serious and realistic discussion about how to strengthen our Texas Medicaid program – in which our Medicaid reimbursement rates have slipped to 49th in the entire nation," testified Tim Graves, President of the THCA. "This rate simply does not reflect the challenges faced daily by our state's most vulnerable seniors and the providers who care for them. With Medicaid financing a joint state-federal responsibility, we will be strongly urging our incumbent Austin and Washington-based lawmakers, as well as their challengers in this year's election, to take a hard look at the fact that while the average national daily Medicaid rate per patient is \$153.83, the Texas rate is just \$106.59, according to independent data from the national accounting firm BDO Seidman, and other sources."

Graves said that even on a regional basis, Texas has fallen behind: New Mexico ranks 30th nationally, at \$137.24; Oklahoma ranks 44th, at \$116.84; Arkansas ranks 47th, at \$111.76; and Louisiana ranks 45th, at \$115.00. Besides the fact the Texas Medicaid rate requires modification to reflect the realities of the health care marketplace, he said, we must also assess how the pending demographic tidal wave of retirees, a great many of whom will ultimately require long term care and services, will place further stress on an already over-burdened Medicaid financing structure.

Compounding the Medicaid funding crisis plaguing facilities throughout Texas is the continuing threat in Washington of steep cuts to both Medicaid and Medicare. The Bush Administration – despite deserving recognition for instituting quality improvement programs in concert with the long term care profession, he said – is pursuing both fiscal and regulatory policies that will result in a net loss of resources under both programs.

"On top of Texas' already over-burdened state Medicaid program – federal Medicare cuts will create an even more problematic scenario for your most vulnerable elderly and disabled constituents," Graves told the lawmakers. "With upwards of 60 percent of nursing home

operating expenses in Texas long term care facilities driven by labor costs, additional financial pressures placed on facilities by federal funding cuts will undermine patients' care, and further destabilize our direct care workforce."

Graves also told the lawmakers, "On top of Texas' already over-burdened state Medicaid program – federal Medicare cuts will create an even more problematic scenario for your most vulnerable elderly and disabled constituents. With upwards of 60 percent of nursing home operating expenses in Texas long term care facilities driven by labor costs, additional financial pressures placed on facilities by federal funding cuts will undermine patients' care, and further destabilize our direct care workforce."

Warning of a rising prevalence of facility bankruptcies across Texas, the THCA President said it is important to keep a watchful eye on a problem that reached dangerous levels in 2000 and 2001. Since January 2006, he said, there have been 45 facility closings – with eleven facilities also now in Chapter 11 status. "A facility closing is not just a severe trauma to many elderly patients forced to relocate many miles from friends and family, it is also a severe blow to the local economic base, as nursing homes are often the largest local employer -- especially in our more rural locales."

The THCA President also told the House health panel that it is examining several consumer-focused initiatives for the next legislative session. Although the package is not complete, he said, one of the initiatives being explored involves a "pay for performance" component. The lessons learned from other states' efforts thus far, he said, indicate that a "pay-for-performance" program can enhance accountability for the expenditure of public funds, support quality-improvement initiatives by providers, provide additional tools for informed consumer decision-making, and improve efficiency of the overall delivery system.

Various performance measures are used in state P4P programs, including: Quality indicators derived from MDS; Staffing levels, turnover, and retention; Measures of resident satisfaction and quality of life; Employee satisfaction; and, deficiencies or other survey outcomes. Participating facilities are scored on the variables, and "add-on" rate adjustments are paid to the facilities on a periodic basis. "Texas already has the staffing enhancement program," Graves testified, "and it is essentially a "pay-for performance" program that provides additional funding to participating facilities that apply for the funds to increase staff, and pay improved wages and benefits. "Unfortunately, one of the major problems with the program -- the real stumbling block, Mr. Chairman -- is that it has never been properly funded."

Lack of adequate funding for Medicaid nursing home care, he continued, has been a chronic problem in the state of Texas. For example: In November of 2006, the HHSC estimated that Medicaid nursing home funding needed a 19% increase (\$340 million GR) for the 2008-2009 biennium to meet the cost of services. An 8% increase (\$99 million GR - 3% in 2008 and 5% in 2009) was appropriated by the legislature. In September 2008, a new reimbursement system for Medicaid nursing home services is scheduled to begin (TILEs to RUGs). In this underfunded environment, there are many uncertainties about this effort.

Although a pay-for-performance program could yield many benefits, Graves observed, it is absolutely crucial that:

- 1) The base rate and staffing enhancement program for nursing home care be properly funded before adding a new program, such as a pay-for-performance;

- 2) The pay-for-performance program be voluntary;
- 3) Adequate time is allowed to develop and test the accuracy and validity of the data bases that will be used to help operate the program; and
- 4) All “stakeholders” including legislative and state agency leaders, consumers, and providers are included in the development of the program.

Graves concluded that he concurs with the opinion of many lawmakers and many long term care experts that it is essential for state and federal government alike to pass laws enabling every citizen to better equip themselves with the tools necessary to pay for, and receive, care in the most appropriate setting for their condition.

“In recent years, the U.S. Congress has passed legislation expanding citizens’ ability to purchase state-approved long term care insurance policies,” he said. “But far more must be done both in Washington as well as Austin – including a more extensive public education effort designed to improve public awareness of the fact individuals must take more responsibility for their retirement health costs.”

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Founded in 1950, the Texas Health Care Association (THCA) is the largest long term care association in Texas. THCA represents a broad spectrum of long term care providers and professionals offering long term, rehabilitative and specialized health care services. Member facilities, owned by both for-profit and non-profit entities, include nursing facilities, specialized rehabilitation facilities, and assisted living facilities.