



**For Immediate Release**  
June 30, 2010

**Contact:** Tim Graves, (512) 458-1257, [tgraves@txhca.org](mailto:tgraves@txhca.org)  
Rebecca Reid, (410) 212-3843, [rreid@txhca.org](mailto:rreid@txhca.org)

## **Texas Health Care Association: Medicaid Rate Cuts Will Undermine Seniors' Care, Jeopardize Caregiver Jobs Base**

*Federal Medicare Cuts Place Even More Strain on Already Underfunded Texas Medicaid Program*

**Austin, TX** – In testimony today before the Health and Human Services Commission (HHSC) today, Tom Plowman, Director of Rate and Financial Analysis for the Texas Health Care Association (THCA), warned that a proposed one percent reduction in FY 2011 Medicaid rates will undermine seniors' care, jeopardize Texas' front line caregiver jobs base, and inhibit facilities' continued investment in cost effective care -- which would weaken their ability to send growing numbers of seniors home following stays for convalescent and rehabilitative care.

Testified Plowman: "As proposed, the FY 2011 rates represent a one percent reduction in a reimbursement rate that already holds the unenviable rank of 49th lowest in the country. For more than ten years now, the Texas nursing facility Medicaid reimbursement rates have been set at levels that have not even covered the operating costs of well more than half of Medicaid contracted nursing operators. To provide quality care under a Medicaid system that perennially under-reimburses providers for their costs, Texas nursing facilities long ago turned to the Medicare system as a means to cross-subsidize the deficiencies of the state's Medicaid rate. Recent actions in Washington have now made this cross-subsidization of funding streams no longer a solution to state Medicaid underfunding."

He noted that in October 2009, CMS initiated overall reductions in Medicare appropriations that included a 10-year, \$725 million cut in Medicare funding for Texas nursing facilities. In addition to those cuts, he said, an additional \$14.6 billion of national Medicare cuts that went into effect, as part of national health reform, will apply tremendous additional pressure to a profession already operating under severe financial strain. "The application of an additional one percent reduction in Medicaid funding as proposed here for FY 2011 serves only to worsen the financial hole in which nursing facilities already operate," he observed.

Plowman pointed out that with eighty to eighty-five percent of Texas nursing home residents dependent upon either Medicare or Medicaid funding, the cumulative impact of these dual reductions will severely limit Texas' nursing facilities' abilities to maintain the quality of care that elderly Texans expect and deserve. "It will severely undercut nursing facilities' ongoing ability to recruit and retain direct care staff, jeopardize the stability of Texas' long term care jobs base, inhibit facilities' continued investment in cost effective care, and, illogically weaken local facilities' ability to send growing numbers of seniors home following stays for convalescent and rehabilitative care," he stated.

Perhaps even more important from the perspective of the consequences on the state budget, he continued, “it is clear than any constraint on access to long term care services, particularly nursing home services, such as will occur by these proposed budget cuts, will increase the utilization of much higher cost acute care services, including hospital admissions and emergency room visits. It is a classic example of being ‘penny wise and pound foolish.’”

Plowman said these should be sufficiently compelling arguments to not consider any reduction in Medicaid reimbursement for nursing facilities. “Further, these arguments don’t even consider the fact that all state Medicaid expenditures are funded primarily by federal dollars—money that simply gets left in Washington if the state chooses to reduce Medicaid reimbursement, he told the rate setting panel. “For every dollar that the state attempts to save through reductions in Medicaid reimbursement rates, the state’s general revenue fund only saves less than 40 cent -- even less if the enhanced Federal Matching Assistance Percentage is extended as is currently being considered by Congress. Medicaid providers have to absorb the full \$1.00 hit for the state to save that 40 cents.”

# # #

*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.*