



MEMORANDUM

To: Texas Congressional Delegation

From: Tim Graves, President, Texas Health Care Association

Date: February 29, 2008

Re: Proposed FY 2009 Budget Cuts Significantly Threaten Seniors' Long Term Care

With the historic and highly-visible primary upon us on Tuesday, March 4th, Texans have benefited over the past month from a campaign dialogue in which health care issues have been a primary focal point. With one in four Texans lacking health insurance, expanding its access to more of our citizens has, deservedly, received the most attention in the realm of health care policy.

But while we are pleased health policy issues are getting the attention they deserve from both parties' presidential candidates, it is also more vital than ever for the candidates to outline their plans to protect our oldest, most vulnerable seniors and disabled citizens – whose lives depend upon Medicare and Medicaid being adequately financed. The future of long term care in Texas, and America, is increasingly important as we must ensure we have the ongoing capacity to provide quality care today, as well as tomorrow, in the face of demographic tidal wave of Boomer retirees.

However, what significantly impacts Texas seniors right now, today, is the proposed five-year, \$24 billion federal cuts to Medicare and Medicaid contained in the Bush Administration's FY 2009 budget. 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 them by federal funding cuts will undermine patients, and further destabilize our direct care workforce.

The threat of federal Medicare cuts is especially alarming in light of our state Medicaid financing crisis: While the average national daily Medicaid rate per patient is \$153.83, the Texas rate is just \$106.59 (49th), according to independent data from the national accounting firm BDO Seidman, and other sources. Even on a regional basis, Texas is falling 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.

To help protect and preserve access to high quality long term care throughout Texas, particularly in our rural areas where facilities are often the largest local employer, we ask you to join a new congressional letter to House Budget Chairman John Spratt (D-SC) and Ranking Member Paul Ryan (R-WI) asking them to help stop Medicare and Medicaid funding cuts to long term care patients contained in the Bush Administration's FY 2009 budget blueprint. The letter is attached.

The letter effort to the House Budget Committee leadership, being organized on a bipartisan basis by U.S. Reps. Shelley Berkley (D-NV) and Shelley Moore Capito (R-WV), is gathering signatures from Members of Congress. Among the key points in the letter is for lawmakers to gain a stronger insight into how federal Medicare cuts significantly undercut an already overburdened state Medicaid financing system, and the operational viability of Texas' 1,100 nursing homes.

Like you, Texas Health Care Association and its members are committed to solving the many challenges associated with protecting our oldest seniors' long term care needs in a collaborative, bipartisan manner, and we respectfully ask you to join the new Berkley-Capito letter to the Chairman and Ranking Member of the House Budget Committee.

*Text of Berkley-Capito Letter to Budget Chair John Spratt (D-SC)
and Ranking Member Paul Ryan (R-WI)*

Dear Chairman Spratt and Ranking Member Ryan:

We are writing to urge the Budget Committee to strongly oppose cuts to Medicare and Medicaid in the Administration's Fiscal Year 2009 (FY 09) Budget. We are especially opposed to those cuts affecting long term care providers. We express our support for strengthening the Medicare and Medicaid programs, which care for our nation's poor, frail, elderly, and those with disabilities.

Approximately 80% of nursing home patients rely on either Medicare or Medicaid to pay for their long term care. Given that the fastest growing segment of our population are those 85 and older, our nation's need for long term care is likely to increase significantly. Providing adequate reimbursement for long term care under both Medicare and Medicaid will ensure that this growing population will continue to have access to long term care.

Despite the growing demand for long term care, the existing financing mechanisms for Medicare and Medicaid are intertwined and increasingly dysfunctional. Medicare and Medicaid funding comprise the vast majority of all skilled nursing facility (SNF) payments.

The Administration's proposed reductions to Medicare payments to SNFs are especially egregious when the drastic underfunding of Medicaid-financed SNF care is considered. For 2007, SNFs received \$4.4 billion less than needed to cover the costs of providing care to Medicaid patients according to BDO Seidman. The Administration's FY 09 budget, however, ignores this perilous situation and calls for nearly \$24 billion in cuts to Medicare SNF funding over five years.

Recently, the long term care sector has experienced relative economic stability, allowing SNFs to enhance the quality of care and better meet the needs of its patients. These patients are experiencing more medically complex conditions than ever before and these unjustifiable cuts would therefore jeopardize this already underfunded system and further destabilize our nation's long term care infrastructure.

We respectfully request that the Budget Committee reject the proposed cuts to SNFs and continue to foster the stability of the long term care community through reasonable funding levels. Ensuring adequate reimbursements will allow long term care professionals to continue providing seniors with the highest quality care in our nation's nearly 16,000 nursing homes. Thank you in advance for your consideration of our request.

We look forward to working with you to strengthen the safety net our nation's seniors deserve.

Sincerely,

Reps. Shelley Berkley (D-NV) and Shelley Moore Capito (R-WV)