



For Immediate Release
March 26, 2008

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

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

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

Austin, TX (March 26, 2008) -- In testimony before the Senate 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 much-needed discussion about how to strengthen the Texas Medicaid program's reimbursement rate, which have dangerously slipped to 49th in the entire nation. At the behest of the Committee, Graves also outlined the Texas long term care profession's views on so-called pay for performance programs.

"Now more than ever, Madam Chair, we need to initiate a discussion about how to strengthen our Medicaid program – especially in Texas, where our Medicaid reimbursement rates have slipped to 49th in the entire nation, and which simply does not reflect the challenges faced daily by our state's most vulnerable seniors and the providers who care for them," testified Tim Graves, President of the THCA. "With Medicaid financing a joint state-federal responsibility, we will be strongly urging our Austin and Washington-based lawmakers 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 Texas' Medicaid funding crisis are proposed federal cuts to Medicare contained in the Bush Administration's FY 2009 budget. A new analysis of the Bush Administration's proposed budget and regulatory changes issued last week finds they will cut Medicare-financed nursing home care in Texas by \$104.9 million in the year ahead – the 4th highest level of cuts in the nation, and which reduces funding by \$17.22 per patient, per day. As the Texas Medicare cuts rank 4th nationally in size, California ranks first with total cuts of \$142.6 million for FY 2009; Florida ranks 2nd at \$138.2 million; New York ranks 3rd at \$113.2 million; Ohio ranks 5th at 100.6 million. The data was computed by the AHCA Reimbursement and Research Department using

Office of Management and Budget (OMB) data from the Bush Administration's FY 2009 Budget, and data from the Centers for Medicare & Medicaid Services (CMS).

“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 Senate 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. According to data compiled by the American Health Care Association (AHCA) and augmented by the Texas Health Care Association (THCA), Graves pointed out, several states, including Georgia and Oklahoma, have some type of Medicaid pay-for-performance (P4P) program in place.

“The lessons learned from these states’ efforts so far 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,” he said.

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
- 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.

“I want to point out that Texas already has the staffing enhancement program,” Graves continued. “It is essentially a ‘pay-for-performance’ program that provides additional funding to participating facilities that apply for the funds to increase staff, and to pay improved wages, and benefits. But one of the major problems with the program is that it has never been properly funded. As you know, lack of adequate funding for Medicaid nursing home care has been a chronic problem in the state of Texas.”

For example, Graves said that 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. But only an 8% increase (\$99 million GR - 3% in 2008 and 5% in 2009) was appropriated by the Legislature.

In conclusion, the THCA President and CEO said that although a pay-for-performance program could yield many benefits, 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 databases that will be used to help operate the program; and,
- 4) All stakeholders, including legislative and state agency leaders, consumers, and providers, be included in the development of the program.

#

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.