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**TESTIMONY OF TIM GRAVES, PRESIDENT/CEO  
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SENATE FINANCE AND SENATE HEALTH AND HUMAN SERVICES COMMITTEE  
JOINT HEARING**

**SEPTEMBER 16, 2008**

Thank you for holding this hearing today – over the past few days the state of Texas has dealt with a significant and disastrous hurricane. I am glad to report that the long term care community has dealt successfully with numerous evacuations and continues to care for thousands of patients affected by the situation. We appreciate the work of all state and local officials that have helped with the response. We have a long road ahead as we continue to deal with power outage and other recovery issues – but so far we are holding steady and thank you for your help to date and in the future.

The Texas Health Care Association (THCA), founded in 1950, is the state’s largest long term care association. Our membership is comprised of approximately 490 for-profit and nonprofit entities – including nursing facilities, specialized rehabilitation facilities and assisted living facilities.

**BACKGROUND – NURSING HOME SERVICES AND FUNDING**

Our resident profile reflects just how vulnerable our patients really are, and how dependent they are upon adequate funding for long term care programs. Our average resident is female, approximately 85 years of age, and needs assistance with at least four activities of daily living (eating, dressing, ambulation, etc.)

The good news is that we are increasingly seeing shorter stays from patients, many of whom we are happy to say are more rapidly returning to their communities following rehabilitation and therapy.

The more challenging news is that we are admitting an older, higher-acuity patient population requiring more intensive care. In an environment where we simultaneously face a staffing crisis of historic proportion, dwindling government payments in relation to the actual costs of providing quality care, and rising demand associated with demographic trends, we face enormous hurdles.

Compounding this confluence of problems is the fact the public remains largely unaware about long term care, and who will pay for it. The recently-concluded National Commission for Quality Long Term Care (NCQLTC) – chaired by former Senator Bob Kerrey (D-NE) and former House Speaker Newt Gingrich (R-GA) -- found 34% of Americans believe most long term care is paid for by Medicare, 20% say it is paid for by Medicaid, and 22% say individuals and their families pay

for most long term care. 13% said they do not know at all how long term care is financed under the current system.

Public education about long term care is a vital part of the overall equation. That is why hearings of this nature are important, and we thank you for holding this forum with which to detail both the issues at hand as well as possible solutions.

And 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. 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 \$154.90, the Texas rate is just \$112.79, according to independent data from the national accounting firm BDO Seidman, and other sources.

As noted, Texas seniors suffer the 49th lowest daily Medicaid payment rate in the nation -- even on a regional basis Texas’ Medicaid payments have fallen behind. (*TX 49th @\$112.79; NM 29th @\$137.24; OK 45th @\$123.05; LA 46th @ \$123.05; AR 37th @ \$128.71; MS 39<sup>th</sup> @\$128.00*). But let us be clear here today before this Committee: this is not a discussion about just money and rates – it is about maintaining care quality standards and dignity for many seniors in their late 70’s, 80’s and still older.

The good news, of course, is that Texans are living longer and healthier lives. The flipside is that an increasingly older population will eventually require more extensive care, and this fact cannot be ignored.

Besides the fact that the Texas Medicaid rate requires modification to reflect the realities of the health care marketplace, 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.

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 patient care, and further destabilize our direct care workforce.

We cannot emphasize more strongly that care quality in our nursing homes – and continued progress in quality improvement – is directly tied to funding stability in Washington and in Austin. We are proud to say that here in Texas, we are indeed making strides on the quality front, but those results and systems in place to sustain progress are in dire jeopardy due the financial environment in which we operate.

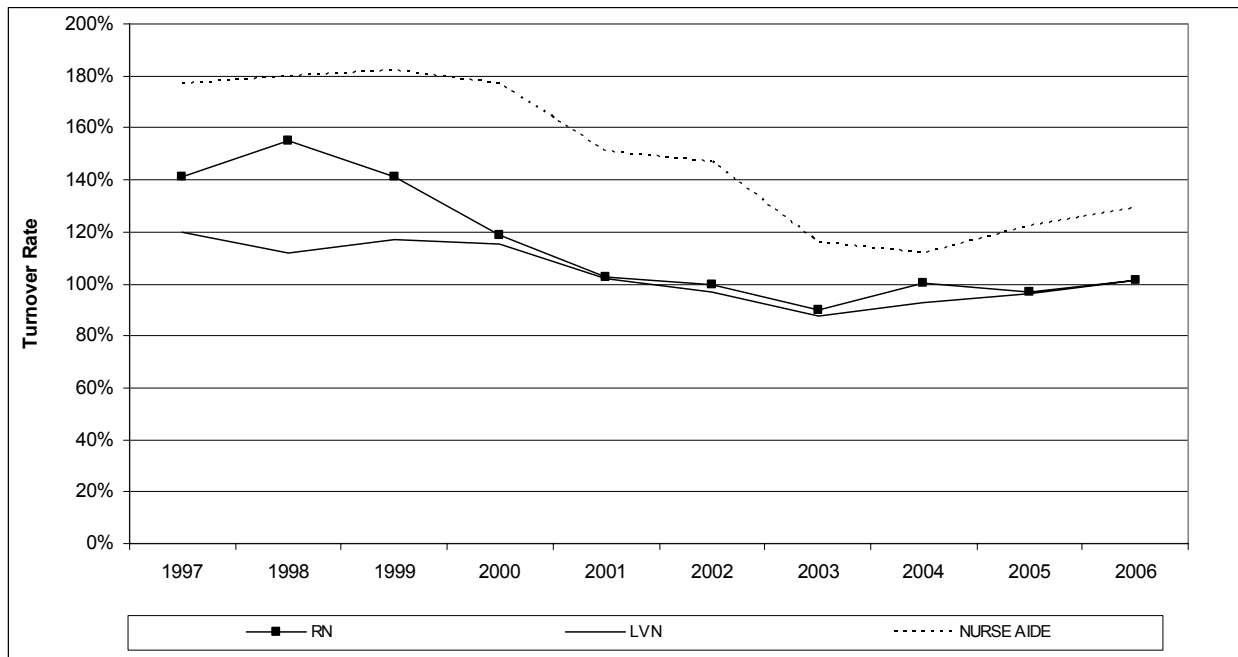
## FUNDING IMPACTS

**CLOSURES:** Since January 2006, there have been over 50 facility closings – with 20 facilities closing in rural areas. Another way to look at it – 13% of the Texas population now lives in rural areas, however, 38% of the facility closures have been in rural Texas.

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.

Government has every right to insist upon quality care, but so too does government have an obligation to finance that care – particularly in terms of paying the actual cost of providing that care. We do not believe that is an unreasonable expectation.

**STAFF TURNOVER:** Another significant result of low funding levels relates to staff turnover. Although pay levels are not the only ingredient in the mix, high turnover rates, particularly among key nursing staff, damages continuity of care.



\* Sources: Texas Nursing Facility Medicaid Cost Reports

## FUNDING ISSUES FOR 2010 - 2011

More transparency, increased accountability and sustaining our ongoing quality improvement efforts in continued collaboration with our state and federal government is our highest priority. We are encouraged about the rapid pace of improved quality measurement standards, cognizant of our responsibility to continue being a catalyst for innovation that enhances consumer knowledge and choice, and committed to continue improving the quality of long term care for the benefit of every Texas senior today, and in the years and decades ahead.

***THCA is examining several initiatives for the next legislative session. Although the package is not complete, we will focus our work with you on adequately funding the cost of providing nursing home patient care, fire safety, employee background checks, as well as the nurse shortage issue.***

Another initiative that we are exploring involves “pay for performance”.

Let me summarize what we have learned so far: According to data compiled by the American Health Care Association (AHCA) and augmented by the Texas Health Care Association (THCA), six 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.

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. I want to point out that Texas already has the staffing enhancement program. 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.

One of the major problems with the program -- the real stumbling block, Mr. Chairman -- 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:

**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.**

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 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.

In closing, we have one simple request today. When the Health and Human Services Commission issues its Consolidated Budget for 2010-2011, please carefully review the estimate of what it will cost to fund the rate methodology for Texas nursing home care. **Action must be taken to fund the methodology in the next legislative session to meet the state's estimate of what it costs to provide patient care.**

***Those patients took care of us – now it's time for us to take care of them.***

Thank you again for the opportunity to testify on these important health policy matters, and we look forward to working with the Texas legislature to ensure every Texan, from every walk of life, always retains access to the quality care they need, when they need it.