



**TESTIMONY OF TIM GRAVES  
ON BEHALF OF THE TEXAS HEALTH CARE ASSOCIATION  
SENATE HEALTH AND HUMAN SERVICES COMMITTEE  
MARCH 26, 2008**

4214 Medical Parkway, Suite 300

P.O. Box 4554

Austin, TX 78765

512 • 458-1257

FAX 512 • 487-9575

Thank you, Madam Chair, for holding this hearing today, and we look forward to outlining the many challenges faced by the long term care profession as we work with our state and federal governments to help ensure Texas' most vulnerable frail, elderly and disabled citizens receive the quality long term care and services they need and deserve.

The Texas Health Care Association (THCA), founded in 1950, is the state's largest long term care association. Our membership is comprised of approximately 450 for-profit and non-profit entities – including nursing facilities, specialized rehabilitation facilities and assisted living facilities.

Our resident profile reflects just how vulnerable our patients really are, and how dependent they are on 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 as long term care providers 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 hearing.

And now more than ever, we need to have an earnest discussion about how to strengthen our Medicaid program – especially in Texas, where our Medicaid

reimbursement rates have slipped to 49<sup>th</sup> 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.

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, 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.

Even on a regional basis, we are falling behind: New Mexico ranks 30<sup>th</sup> nationally, at \$137.24; Oklahoma ranks 44<sup>th</sup>, at \$116.84; Arkansas ranks 47<sup>th</sup>, at \$111.76; and Louisiana ranks 45<sup>th</sup>, at \$115.00. But let us be clear: 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.

Compounding our Medicaid funding crisis are 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 patient care, and further destabilize our direct care workforce.

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 recently sent a congressional letter to House Budget Chairman John Spratt (D-SC) and Ranking Member Paul Ryan (R-WI) asking them to help stop the Medicare and Medicaid funding cuts proposed in the Bush Administration's budget blueprint.

We have publicly urged all members of the Texas U.S. House delegation to sign this letter, and we will be monitoring this situation. Below is an excerpt of this letter that encapsulates the problems we face -- especially as it relates to the increasing interdependence between Medicaid and Medicare.

*“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 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 are in jeopardy due the financial environment in which we operate.

THCA will continue to enthusiastically partner in government and profession-wide quality improvement programs – programs that are indeed improving patients’ quality of life – and we will sustain progress not just because we owe it to our patients, but because of the dedication and compassion of our workforce. 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.

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 consumer focused initiatives for the next legislative session. Although the package is not complete, one of the initiatives 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
- 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, pay improved wages, benefits, etc. **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:

**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 be included in the development of the program.

Thank you again, Madam Chair, for the opportunity to testify on these important health policy matters, and we look forward to working with you, this Committee, and 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.