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**TESTIMONY BY TIM GRAVES  
ON BEHALF OF THE TEXAS HEALTH CARE ASSOCIATION  
HOUSE APPROPRIATIONS SUB-COMMITTEE ON HEALTH AND HUMAN SERVICES**

**FEBRUARY 16, 2011**

Thank you for the opportunity to speak before you today. I am Tim Graves, President & CEO of the Texas Health Care Association (THCA). Founded in 1950, THCA is the state's largest long-term care association. Our membership is comprised of several hundred for-profit and not-for-profit entities – including nursing facilities, specialized rehabilitation facilities and assisted living facilities.

Mr. Chairman, in the effort to save time with so many witnesses testifying today, I'll get right to the point: HB 1's proposal for \$1.4 billion cuts to Medicaid-funded nursing and rehab care – 33% less than current funding -- will cause bankruptcies and facility closures; cause displacement of fragile nursing home residents; and send skilled, frontline health care workers to unemployment lines in local communities across Texas.

This is not merely opinion based on hyperbole – I'm alarmed to say these are stone cold facts. I said this to the media all last week and I'll say it again here: If this 33% cut proposal proceeds, Medicaid nursing home care as we know it in Texas will cease to exist. Even before this new budget bombshell, Mr. Chairman, already proposed 2 percent Medicaid rate cuts – on top of last September's \$25.6 million state Medicaid cuts, and federal Medicare cuts of over \$1.5 billion over ten years enacted as part of health care reform – placed Texas nursing facility residents, their caregivers and local communities in clear and present danger.

Looking back over the last decade's worth of Medicaid reimbursement, HB 1 blows a hole in a rate system 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 Medicaid-contracted nursing home operators.

And now HB 1?

The largest portions of provider costs are the salaries and wages of our caregivers -- the front line of patient care quality. With cuts as large as those proposed in HB 1, providers will have to significantly cut staffing levels, cut pay -- or worse -- just go out of business, and leave local seniors and local workers to make do with no care and no job.

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 effectively cut off this funding stream as a stopgap solution to state Medicaid underfunding.

With eighty to eighty-five percent of Texas nursing home residents dependent upon either Medicare or Medicaid funding, the cumulative impact of reductions – even before the 33% cut proposal -- severely limits our abilities to maintain the quality of care that elderly Texans expect and deserve.

Rest assured these cuts will severely decrease access to long term care services, particularly nursing home services, and as a consequence will increase the utilization of much higher cost acute care services, including hospital admissions and emergency room visits. There are steep consequences to rate reductions and budget cuts – for patients, for jobs, and indeed our taxpayers.

All that being said, Mr. Chairman, THCA is fully cognizant of the fact that the state must balance its budget, and as we always have, we intend to be responsible partners in helping craft a final budget. And our strategy and approach will continue to be honest and straightforward: We will take this debate out of this hearing room, out of Austin, and to the local level. We want to ensure that the lawmakers who ultimately decide the final details of the state budget know without a doubt that HB 1 will displace elderly constituents, cost the jobs of local caregivers, and force the closure of many communities' most significant local employer.

Quality care, good local jobs and adequate Medicaid funding from Austin all go hand in hand. Thank you for the opportunity to comment here today.