



RUNNING ON EMPTY

Virginia Budget Shortfall and its Impact on Medicaid Funding of Nursing Facility Care

- In addition to providing critical services to elderly and disabled individuals who typically have exhausted other care options, Virginia's nursing facilities are vital components of the Commonwealth's economic base. Total revenues generated by these facilities exceed two billion annually. **Additionally, nearly 30,000 full-time equivalent caregivers and other staff were paid wages totaling an estimated \$1.3 billion. Nursing facilities play an essential role in Virginia's marketplace as both taxpayers and economic drivers.**
- In 2008, the General Assembly reduced Medicaid funding for nursing facility reimbursement by approving a **\$18.5 million rate cut**. In 2009, the General Assembly eliminated the scheduled rate adjustment intended to reimburse for allowable costs **removing an additional \$28.4 million from Medicaid payments - \$4.50 per patient day for each of the 6.3 million days of care provided**. The Governor's introduced budget for SFY 2011 contains **an additional \$25.2 million in rate cuts bringing the cumulative three year total to over \$72 million in rate cuts or \$11.44 per Medicaid patient day**.
- **Global Insight**, the economic forecasting organization under contract with DMAS to develop the annual Medicaid payment rate update factors for nursing facilities, reports in its most recent update that **"Nursing homes will have to cut staff, freeze wages, and decrease overtime payments to contain their operating costs."** With their already lean staffing, nursing facilities can ill afford to cut employees and still provide the level of care expected and required of them.
- As a result of Virginia's stringent nursing facility admission requirements to qualify for Medicaid, our nursing facility residents are consistently ranked among the very sickest in the nation, according to the federal agency responsible for administering the Medicare and Medicaid programs. Despite a Medicaid payment rate environment that places us among the lowest in the country, **Virginia nursing facilities must meet the same rigorous federal quality standards as nursing homes in every other state – often states with lower-acuity resident populations and higher Medicaid payment rates.**
- The disconnect between what regulators require of nursing homes and what policy makers and elected officials are willing to pay for Medicaid long term care services is taking a significant and troubling new course – **Medicare skilled nursing facility payments were cut October 1, 2009 and will likely see further significant reductions as a result of federal health reform legislation. Traditionally, nursing facilities have relied upon positive Medicare margins to offset the losses incurred in providing Medicaid services.** The October 1, 2009 Medicare cuts will exceed \$10 million for Virginia providers in federal fiscal year 2010.
- For FY 2009, of the \$146.22 average Medicaid per diem payment rate (\$53,370 annually), approximately 19% (\$27.62) was obtained from resident resources, such as Social Security, leaving DMAS to fund the balance of \$118.60 per day (\$43,300 annually) with roughly half of this amount funded by federal Medicaid matching funds leaving the Commonwealth with a **net funding requirement of only \$59.29 per day or about \$21,640 annually per resident.** With its 100% federal matching funds provision, **cutting Medicaid funding delivers a double blow for providers – two dollars in lost payment for every dollar of state funding savings achieved.**

3 things

facts about Virginia's nursing homes and Medicaid

- 1 Cutting critical Medicaid funding to Virginia's nursing homes for a third straight year will **force significant staffing cuts** that will **eliminate JOBS** necessary for *both* the delivery of care *and* the Commonwealth's economic recovery.
- 2 **Equal ≠ Fair!** Well-meaning efforts by legislators to fairly "spread the pain" of budget cuts often include across-the-board percentage reductions. With a much higher proportion of Medicaid patients, these "equal" cuts are anything but fair as nursing homes have far fewer options for offsetting growing Medicaid payment shortfalls.
- 3 For Virginia's frail elderly and disabled who have exhausted all other options for care and support, **nursing facilities and Medicaid typically serve as the only remaining safety net** providing comfort and health care to very fragile and sick individuals. What will happen to these people if nursing homes are forced to close?