A Retrospective Look at 2013
Congressional Accomplishments in 2013

- Congress reached a budget deal that funds the Government until October of 2015
- Congress addressed the “doc-fix” and extended the therapy cap exception process through March of 2014.
- Both Congressional committees of jurisdiction passed permanent “doc-fix” language but did not address how the resolution would be paid for. This language also permanently repealed the therapy cap and provided meaningful relief to the MMR problem.
Legislative Risks in 2014
Two Major Risks to Our Sector

✓ The Debt Ceiling Debate
  ▪ Resolved through 2015

✓ SGR or “Doc-Fix”
“Doc Fix”/SGR Risk
Background

✓ In 1997 Congress passed a budget agreement that changed the basis by which physicians are reimbursed.

✓ Formula is based on four different factors

✓ In prior years the formula provided an increase in physician payments but in recent years has required a significant cut.

✓ Since 2010 Congress has taken action to prevent these significant cuts by reducing other healthcare provider payments.
“Doc Fix” / SGR Risks

✓ This issue continues to be the main risk for our sector.

✓ Currently the cost to prevent this reduction is $20 billion annually.

✓ This cost increases every year.

✓ Congress traditionally looks to other healthcare providers to cover the cost of this issue.
“Doc Fix” Options

✓ Permanent Fix
  ▪ The House Energy and Commerce Committee, Ways and Means and Senate Finance committees have reported out a permanent fix but their legislation has not included any offsets yet.
  ▪ Price tag is significantly reduced from prior estimates.
  ▪ Cost of a permanent fix is $150-160 billion over 10 years.

✓ Temporary “Patch”
  ▪ At this time it is unclear what a 9 month or 21 month patch would cost (estimates range from $11B-$15B for 9 months and unknown for 21 months).
Recent Developments

- Debt Ceiling Extended Through 2015
- COLA for Military Retirees re-instituted and paid for with one year sequester extension of provider payments
- $2.3B of savings from COLA bill will be used for Doc-fix
Why SNF’s Are at Risk

✓ In the last two SGR “patches”, SNF’s were not cut.

✓ Other providers will likely point that out.

✓ Perception that we are overpaid (MedPac).

✓ Congressional propensity to offer “equal pain” by instituting “across the board” reductions.
## Risks for SNF’s to pay for Doc Fix

<table>
<thead>
<tr>
<th>Proposal</th>
<th>10-Year Score</th>
<th>Avg Loss per Facility per Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Basket Reduction</td>
<td>$2 billion</td>
<td>$12,000</td>
</tr>
<tr>
<td>MedPAC 4% Rebasing</td>
<td>$20 billion</td>
<td>$120,000</td>
</tr>
<tr>
<td>Obama’s Readmissions</td>
<td>$2 billion</td>
<td>$12,000</td>
</tr>
<tr>
<td>AHCA’s Readmissions</td>
<td>$2 billion</td>
<td>$0-12,000</td>
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Observation Status Legislation

- Courtney- Latham bill, HR 1179, continues to add bi-partisan cosponsors, (134), Senate version, S. 569 has (25) cosponsors.

- Renacci (HR 3531) and McDermott (HR 3144) complicate observation issue on Capitol Hill (Elimination of 3 Day Stay)

- No official CBO score on any observation bill slows momentum for passage.
Observation Status Traction

✓ Press, highlighted by recent pieces on NBC and FOX News continue to highlight problems associated with observation status.

✓ AHCA internally working on scoring of “observation status”.

✓ AHCA continues to participate in coalition of mostly beneficiary groups working to pass HR 1179.
To Win We Must...

✓ Provide policy solutions that improve outcomes and save the Medicare program money
  ▪ Saying “don’t cut us!” is not a viable solution

✓ Become increasingly engaged politically by leveraging our scale as an industry and investing our resources in the political process.
  ▪ Grassroots and local engagement
  ▪ Fundraising and supporting our legislative champions.

AHCA
NATIONAL CENTER FOR ASSISTED LIVING
Winning is defined as...

1. We are not a pay-for in whatever “doc-fix” passes, or our pay-for is something our Board of Governors determines is acceptable.

2. We extend the therapy cap exception process or repeal the cap altogether with whatever “doc-fix” scenario passes.

3. We get relief from the current MMR (Manual Medical Review) process.
How We Win!

We must be the cost and quality solution.
AHCA Hospital Readmissions Proposal

✓ After establishing a baseline for the SNF 30-day readmission rate and calculating costs associated with those readmissions, the Secretary would then set a targeted readmissions reduction goal for SNFs necessary to achieve $2 billion in savings from 2014-2021.

✓ Skilled nursing facilities will then work to reduce hospital readmissions by at least the targeted amount.

✓ If the savings target is not achieved, then SNFs’ reimbursement will be reduced to make up for the shortfall in expected Medicare savings.
Additional Pay-for Options

- We have been encouraged by Ways and Means staff to be more vocal about site neutral payments for hips/knees.

- This proposal would save $1.3b over ten years and has been and will continue to be something our team pushes on the Hill.

- Depending on the length of the Doc Fix patch we may need to consider alternative savers going forward.

- With passage of Military COLA fix, precedent has been set that allows for payment solutions to cross sectors (non-healthcare for healthcare)
How We Win

We must be a political powerhouse!
Lobbying Team

✓ External
  - BGR Group – Haley Barbour
  - Capitol Counsel – Jim McCrery, Josh Kardon
  - Podesta Group – Tony Podesta
  - Alston-Bird – Dan Elling
  - Lincoln Policy Group – Sen. Blanche Lincoln
AHCA/NCAL LEADERSHIP EVENTS IN 2013

Ron Wyden (D-OR)
Senate Finance Committee
Status: May 30, 2013 (Portland, OR)

Kevin McCarthy (R-CA-22)
House Majority Whip
Status: June 4, 2013 (Washington, DC); September 17, 2013 (Young Guns)

Nancy Pelosi (D-CA-08)
House Democratic Leader
Status: June 4, 2013 (Washington, DC); August 16, 2013 (Napa, CA)

Henry Waxman (D-CA-30)
Ranking Member, House Energy & Commerce
Status: August 21, 2013 (Los Angeles, CA)

Paul Ryan (R-WI-1)
Chair, House Budget Committee
Member, House Ways & Means Committee
Status: April 22, 2013 (Milwaukee, WI)

Harry Reid (D-NV)
Senate Majority Leader
Status: November 8, 2013 (Washington, DC)

John Boehner (R-OH-08)
Speaker of the U.S. House of Representatives

Fred Upton (R-MI-06)
Chair, House Energy & Commerce
Status: Rescheduled from Q1 Dates pending (Michigan)

Charles Schumer (D-NY)
Senate Democratic Policy Committee Chair
Status: April 17, 2013 (Washington, DC); September 3rd (New York City, NY)

Joe Pitts (R-PA-16)
House Energy & Commerce Committee Chair, Health Subcommittee
Status: June 5, 2013 (Washington, DC)

Sander Levin (D-MI-12)
Ranking Member, House Committee on Ways & Means
Status: Contact Pending (Michigan)

Eric Cantor (R-VA-07)
House Majority Leader
Status: Contact pending (Roanoke, VA)

Kevin Brady (R-TX)
House Ways & Means Committee Chair, Health Subcommittee
Status: August 1, 2013 (Washington, DC)

Mitch McConnell (R-KY)
Senate Republican Leader
Status: April 18, 2013 (Washington, DC)

Bill Nelson (D-FL)
Chair, Committee on Special Aging Member, Senate Finance Committee
Status: May 2, 2013 (Sarasota, FL)

AHCA PAC
American Health Care Association
National Center for Assisted Living
Our Response

✓ Acceptable pay-fors
  ▪ Reducing hospital readmissions via incentives
  ▪ Other volume shifting concepts

✓ Significant political activity