

Care Cuts May Cost State More

California Replacement Settings Come At Higher Price

A new report details how the proposed elimination of the Medi-Cal Adult Day Health Care (ADHC) program in California Gov. Arnold Schwarzenegger's (R) 2010-11 budget could actually cost more money to the cash-strapped state than it saves.

This "up is down," Alice in Wonderland-type finding by The Lewin Group, a Washington, D.C.-based consultancy, estimates the potential state revenue impacts associated with the proposed elimination of the Medi-Cal ADHC program.



The analysis comes at a time of severe budget shortfalls in most states as a result of the deep and lengthy recession. It also comes as Congress debates whether to extend further assistance for states to pay for Medicaid reimbursement, a key issue for long term care providers concerned about potential program cutbacks.

If the Lewin report is illustrative for the debate, it also runs counter to conventional thinking that by eliminating a state program a state would in fact see savings rather than higher costs. What the consultants found was that savings tied to eschewing the program would be more than offset by cost-shifting to other more expensive care settings, loss of jobs among ADHC employees, reductions in family caregivers' ability to work, loss of state tax revenue, forfeiting \$164 million annually in federal Medicaid matching funds, and

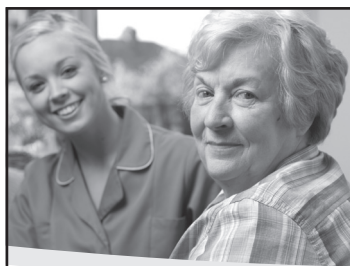
the economic impact of local businesses hurt by the loss of ADHC providers.

"In total, we estimate the state would lose \$51 million in 2010-11 over and above the estimated savings that would come from eliminating the program. Annual losses to the state are projected to increase to \$72 million in 2020-21, \$198 million in 2030-31, and over \$412 million in 2040-41," the report said.

The ADHC program in 2009 provided various health and social services to 39,000 Medi-Cal beneficiaries at risk of institutional care. The cost estimates tied to the study's findings project a massive increase in the need for such adult day care services.

Lewin said Medi-Cal spending on nursing facilities would increase by \$93.4 million in 2010-11 if ADHC services were eliminated, and an additional \$43.4 million would be required for home- and community-based services for people no longer able to use ADHC.

—Patrick Connole



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Provider Invests \$30 Million In Michigan

Ciena Healthcare Management, a provider of skilled nursing and rehabilitation therapy in Southfield, Mich., recently broke ground on Regency at Waterford, a skilled nursing community outside of Detroit. The company will build an additional three communities in the fall of 2011, for a total estimated cost of \$29.8 million.

Ciena's investment in the state of Michigan, which will also include temporary construction and permanent jobs in the facilities, is a much-needed economic injection for a state that, until recently, had the highest unemployment rate in the country for four years running.

May 2010 figures put the state in second place, behind Nevada.

The Waterford facility will consist of 120 beds and short-term and long term care with 40 private rooms and 40 semi-private rooms.

Built at a cost of \$6 million, Regency at Waterford is scheduled to open this fall. The community will feature a living area designed to care for the needs of residents requiring a short-term rehabilitation stay and contain a separate living area designed to meet the needs of traditional, long term care residents.

—Meg LaPorte