

News Currents

In Brief

House Bill Injects Medicaid Funds

A \$6 Billion Supplement Is On The Table

Health reform legislation, passed in the House of Representatives by a narrow margin on Nov. 7, would provide \$6 billion in supplemental Medicaid payments to nursing facilities over four years, thanks to a provision drafted by Reps. Henry Waxman (D-Calif.), chairman of the House Energy and Commerce Committee, and Pete Stark (D-Calif.), chairman of the House Ways and Means health subcommittee.

The bill heading to the House floor would create the Nursing Facility Supplemental Payment Program (NF-SPP) to acknowledge and compensate nursing facilities for severe underfunding in the current Medicaid program—a message that industry advocates have been repeating for years on Capitol Hill.

Under the NFSP, supplemental payments would be made directly from the Centers for Medicare & Medicaid Services (CMS), with no matching funds from states, during the period 2010 through 2013.

Eligible providers must have high percentages of Medicare and Medicaid residents, operate efficiently, and provide quality care.

The legislation also directs the newly created Medicaid and Children's Health Insurance Program Payment and Access Commission (MACPAC) to study the adequacy of Medicaid payments to nursing facilities and develop

recommendations to Congress by the close of 2011.

In a memo to members of the American Health Care Association (AHCA) about the NFSP, Bruce Yarwood, president and chief executive officer of the organization, called the supplemental program a “significant step forward.”

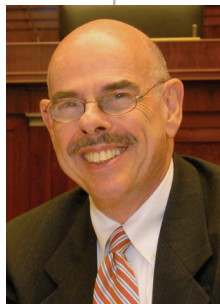
The NFSP “represents an understanding by Congress of Medicaid’s issues, and we believe it will lead to serious discussions as to the future of Medicaid funding,” Yarwood said.

Other significant provisions of the legislation include eliminating the skilled nursing facility market basket

update for the last three quarters of fiscal year 2010, Jan. 1, 2010, to Sept. 30, 2010, and codifying the CMS “projection error” cuts of 3.3 percent and resource utilization group IV provisions contained in the agency’s fiscal year 2010 skilled nursing facility prospective payment system rule.

HR 3692 will also extend the current exceptions process for Part B therapy caps through Dec. 31, 2011. Nursing facility transparency language is also included in the bill, as are bundled payments for post-acute care, workforce development provisions, and the Community Living Assistance Services and Support, or CLASS, Act—in the same manner as included in previous House versions.

—Lynn Wagner and Meg LaPorte



Waxman

Erickson Retirement Files For Bankruptcy

Erickson Retirement Communities, Baltimore, filed for Chapter 11 bankruptcy protection on Oct. 19, just weeks after founder and Executive Chairman John Erickson announced that the company had closed its construction operations and was in the process of restructuring its debt.

The real estate side of the company “has been hit hard by the recession,” Erickson wrote in a letter to residents on Sept. 28. “In order to get funding to bring the Erickson lifestyle to more people, we had to make commitments to the banks about how quickly we would welcome new residents. While we weren’t blind to the possibility of economic downturns...we frankly didn’t foresee the magnitude or duration of the economic crisis that hit us and all of America.”

The Chapter 11 filing, made in the U.S. Bankruptcy Court in the Northern District of Texas, states that Erickson has agreed to sell its assets to Redwood Capital.

According to the filing, Erickson’s creditors numbered between 200 and 999. Braun Construction Group, Farmington Hills, Mich., was listed as Erickson’s biggest creditor, with more than \$4.6 million owed to the company.

Both Erickson’s assets and liabilities were estimated at more than \$1 billion.

The company made two rounds of layoffs earlier in the year, the majority of which have been in non-operations positions, Erickson said.

“The management, or people, part of the business remains strong,” Erickson said in his letter.

Erickson’s 22,000 residents live in its 19 communities in 10 states. The company has more than 12,000 employees.

—Meg LaPorte