

# ISSUE BRIEF



American Health Care Association



National Center for Assisted Living

## *Make Medicaid Prompt Pay Permanent*

Prior to the enactment of the *American Recovery & Reinvestment Act (ARRA)*, states were required to have claims procedures ensuring prompt Medicaid payment to physicians, but not to hospitals and nursing facilities. The *ARRA* extended these requirements to include hospitals and nursing facilities, but only for as long as the enhanced Federal Medical Assistance Percentage (FMAP) was provided to states. As of July 1, 2011, nursing facilities will no longer have the protection of the prompt payment provision, which represents a serious threat for the health and well-being of residents in nursing facilities.

The delay in payment to nursing facility providers adversely affects such providers, and more importantly their ability to provide quality care to some of our nation's most vulnerable citizens. Nursing facilities operate on a thin margin, and any delay of payment for care provided to patients significantly impedes cash flow. Such an interruption can jeopardize facility operations, and make it difficult to pay staff.

Nearly 70 percent of operational costs for skilled nursing facilities are labor related, so failing to make payroll is simply not an option. Payment delays by Medicaid programs bring providers to the brink of financial collapse and put patients in jeopardy.

For example, the California budget impasse in 2008 placed providers at significant risk as they operated without Medicaid payment for approximately 60 days. Some California health care providers were forced to take out loans on retirement accounts and mortgage their homes in order to raise enough cash to pay employees. Additionally, some facilities notified residents' families that if the building were forced to close, they would have to pick up their loved ones from the facility and take them elsewhere. With the expiration of the prompt payment protections in the *ARRA*, the potential implications of a California-like situation reoccurring are enormous.

Many nursing home providers operate with shortfalls in Medicaid reimbursement, which means that the reimbursement payments made by the state do not cover the costs to provide care. A recent study by the research firm Eljay, LLC found that the average shortfall in Medicaid nursing home reimbursement was \$17.33 per patient per day less than the actual cost of care in 2010 – a 22 percent increase in the shortfall from 2009 and a 92 percent increase in the shortfall from 1999. Shortfalls in reimbursement are exacerbated when the states delay payment. While awaiting payment, nursing home providers continue to care for their Medicaid residents and incur all the costs necessary to provide such care. Any delays gravely impair the fiscal health of our nation's nursing homes and their ability to pay employees and vendors. More importantly, such delays place the frail elderly in our nation's nursing homes at risk. This is unacceptable. AHCA/NCAL asks Congress to make the prompt pay requirements for states permanent, ensuring long term care facilities are able to provide high quality patient care, pay their staff, and keep their doors open.

### **Ask Congress...**

- To make Medicaid prompt pay requirements contained in the stimulus package permanent, ensuring long term care facilities are able to provide high quality patient care, pay their staff, and keep their doors open.

### **Key Facts**

- Approximately 64% of patients being cared for in a skilled nursing facility on any given day rely on Medicaid to pay for their care.
- About 13% of assisted living residents rely on Medicaid for their care.
- Nearly 70% of skilled nursing costs are labor related.

### **Contact**

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