

## *Stable Medicare Funding Essential for Quality Care*

Approximately 3.2 million Americans – both older Americans and people with disabilities – received skilled nursing and rehabilitative care in 2008, including 1.9 million Medicare beneficiaries. More than 50 percent of all Medicare beneficiaries, who require post-acute care, are discharged from an acute care hospital to one of the nearly 16,000 skilled nursing facilities (SNFs) nationwide.

The long term care sector is a major driver of the U.S. economy, representing 1.3 percent of the nation's Gross Domestic Product (GDP), as well as contributing to the employment of more than 5.4 million individuals nationwide; supporting more than \$205 billion in labor income; and generating \$60 billion in both state and federal tax revenues.

Medicare only offers limited benefits for those who need post-acute or long term care. Medicare covers just 100 days of skilled nursing care after a qualifying three-day hospital stay with Medicare Part A paying for the first 20 and the beneficiary contributing a daily co-payment of \$141.50 for 2011 during the remaining 80 days of care. Typically, Medicare beneficiaries return home or to the community after a relatively short, rehabilitative stay – requiring an average of 36 ½ days of skilled nursing care. Patients needing extended, facility-based care – about 86 percent of patients in a facility on any given day to include individuals relying on Medicaid for their care – stay an average of 11 months.

Medicare reimburses care providers through prospective payment systems. The Skilled Nursing Facility Prospective Payment System (SNF PPS) is based on payment categories called Resource Utilization Groups (RUGs), which reflect a patient's clinical and rehabilitative care needs. Current statute requires that the Centers for Medicare & Medicaid Services (CMS), which oversees the Medicare program, adjust SNF payment rates to allow for increases in the cost of goods and services each year. This annual cost adjustment is known as a market basket update. In Fiscal Year 2010, CMS provided a full market basket update of 2.2 percent; regrettably, the increase providers should have received was effectively canceled out by a 3.3 percent “projection error” correction simultaneously levied on SNFs by CMS that resulted in a net 1.1 percent decrease in Medicare payments for FY 2010. Since labor accounts for 70 percent of SNF operating costs, it is challenging enough to go without this update – to say nothing of the challenges associated with a 1.1 percent cut in Medicare reimbursement.

Long term and post-acute care providers are preparing for another round of Medicare cuts contained in the *Patient Protection & Affordable Care Act*, which total \$14.6 billion over ten years beginning October 1, 2011. While these funds will help to pay for health care reform, the American Health Care Association (AHCA) remains concerned such steep cuts could threaten the relative stability that allowed long term care providers to hire 50,000 workers in 2009, even as other businesses fell prey to the downturn in the economy. With elderly Americans comprising the fastest growing segment of the population, and “baby boomers” beginning to hit retirement age this year, now is not the time to further burden this critical health care sector. AHCA welcomes the opportunity to work with Congress and the Administration in helping to stabilize our economy, to ensure access to quality long term and post-acute care, and to create additional front line, health care jobs in communities across the country – jobs for caregivers who can make a real difference in the lives of America's seniors and people with disabilities.

### Ask Congress...

- To protect seniors' access to quality long term & post-acute care by ensuring stability in Medicare funding for skilled nursing care.

### Key Facts

- 3.2 million Americans – including 1.9 million Medicare beneficiaries – received skilled nursing & rehab care in 2008.
- More than 50% of all Medicare beneficiaries who need post-acute care are discharged from a hospital to one of nearly 16,000 skilled nursing facilities (SNFs) nationwide.
- On average, Medicare beneficiaries require short, rehabilitative stays of 36 ½ days before returning home.
- Labor comprises close to 70% of a nursing facility's operating costs.
- Long term care directly employs more than 3 million people & contributes to another 2.3 million jobs across the country.
- Long term care represents 1.3 % of the U.S. GDP.

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