

STATEMENT

Of



Reaction to the House Democratic Steering & Policy Committee Forum On The Economic Outlook & Recovery Plan

January 7, 2009

On behalf of the millions of caring employees within the long term care sector, and the millions of Americans who rely on these compassionate caregivers for essential care and services, the American Health Care Association (AHCA), the National Center for Assisted Living (NCAL), and the Alliance for Quality Nursing Home Care commend Speaker of the House Nancy Pelosi (D-CA), Democratic Steering & Policy Committee Co-Chairs George Miller (D-CA) and Rosa DeLauro (D-CT), and Congressional leaders for focusing on our nation's economic recovery.

The long term care sector is a significant contributor to the economic health of communities nationwide, and its stability is vital to stimulate economic growth, especially as the demand for long term care services continues to grow. We look forward to the release of economic recovery legislation, which we hope will include initiatives that support the current long term care workforce and prioritize retraining to fill the 110,000 currently vacant direct care-giving positions, increased Medicaid assistance for the states that includes timely reimbursement for services, resources to make interoperable health information technology systems a reality for post-acute providers as well as hospitals and doctors, and capital funding for physical plant, infrastructure and technology to upgrade and replace aging facilities that no longer match the needs and expectations of the American consumer.

Presently, long term care accounts for 1.1 percent of the nation's Gross Domestic Product¹ (GDP) – \$144.3 billion annually – with substantial economic impact in nearly every community across the country. With long term care facilities employing 2.9 million individuals, the long term care sector represents one of the few growth areas in the U.S. economy – a fact underscored in recent testimony by the Commissioner of the Bureau of Labor Statistics Keith Hall. Commissioner Hall's testimony before the Joint Economic Committee on December 5, 2008, states,

“In contrast to most industries, health care added jobs in November. Employment in the

¹ See The Lewin Group's report, *Long Term Care Facilities' Impact on Economic Activity in the United States, 2008*.

industry rose by 34,000 over the month and has increased by 341,000 so far this year. The November gain reflected jobs added in nursing and residential care facilities, hospitals, and offices of physicians.”

The Bureau’s testimony emphasizes the fact that health care – and long term care specifically – is an area of job growth that could advance economic recovery. However, even with 2.9 million long term care employees, the sector still faces a critical workforce shortage as more than 110,000 direct care staff positions remain vacant. An economic stimulus package that includes increased financing for long term care providers will enable our members to recruit and retain well-qualified, caring employees.

Medicaid is the largest payer of long term care in the United States with nearly 65 percent of nursing home residents and 12 percent of individuals in assisted living communities relying on Medicaid to pay for the care they need. As 70 percent of long term care operational costs are labor related, any boost in Medicaid funding could have an immediate impact on job retention and growth. Specifically, the inclusion of an enhanced Federal Medical Assistance Percentage (FMAP) in an economic stimulus package will help to stave off cuts to states’ Medicaid programs that are vital to vulnerable populations, and to those who are suffering in this weakened economy. Since long term care often represents a significant portion of a state’s Medicaid budget, the sector is vulnerable to cutbacks, a risk exacerbated by the growing gap between Medicaid payments and the cost of care. A recent Eljay, LLC, analysis projected that Medicaid paid \$4.2 billion less than the actual cost of providing quality nursing facility care in 2008. As we saw in 2003, boosting FMAP helped to sustain long term care funding and had a direct, positive impact on local economies nationwide, which is why it now has such broad-based support from diverse groups such as labor, hospitals, health plans, and a variety of health care advocates. Additionally, we ask Congress to require state Medicaid programs to promptly reimburse for services provided. In some states, providers experience delays of six months or more between provision of service and receipt of payment, with obvious adverse consequences for care and for our economy. Prompt payment will strengthen long term care and other providers’ ability to continue serving these vulnerable citizens’ care needs.

We also applaud efforts to build an integrated health care information technology system that allows providers to communicate crucial patient care information across health care settings. Any number of studies and analyses have documented that investing in such an interoperable system will reap long term benefits both in improved quality and reduced costs. We hope that the economic recovery package will include investment in building this integrated system, which must include long term care providers.

Finally, we support efforts to invest quickly in necessary capital projects – physical plant, infrastructure and technology – and strongly encourage extending such investments to long term care providers. Nursing facilities increasingly care for a more acutely ill population with shrinking lengths of stay, yet must do so in aging physical plants that are not designed to meet current and future patient needs. Given that Medicare and Medicaid pay for close to 80 percent of nursing facility patient care, and given the current state of private funding sources, government capital investment in long term care infrastructure is essential if we are to ensure

that Americans receive long term care and services in modern settings appropriate to their changing needs.

We agree that strategic investments today can help to create jobs and rebuild our economy. We also know that part of that investment must include innovative, bold approaches to nursing education that can address the current workforce shortage and future needs, while updating infrastructure and state funding for Medicaid will allow this sector continued growth. Action now will help to ensure that long term care facilities will be available and provide some measure of comfort to those families struggling to care for loved ones who require increasing levels of complex care that only nursing homes provide.

With the demand for long term care services expected to more than double by 2040 and with the challenges of caring for our patients and residents with increasingly complex medical needs and cognitive impairments, our long term care system is in dire need of reform on all fronts. AHCA, NCAL, and the Alliance for Quality Nursing Home Care stand ready to work with this Congress and the incoming Obama Administration to pass an economic recovery plan that will implement broad-based health care reforms needed to achieve person-centered, cost-effective, and sustainable long term care that is part of our nation's overall system to meet today's health care needs, and tomorrow's expectations.

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