

# **Medicaid: Funding Long Term Services and Supports for America's Frail, Aged Populations**

February 2017

# We need your help to protect long term care service for the aged

**Our Ask to Congress:** Any effort to reform Medicaid should maintain the program's current structure for the individuals who need these benefits the most. The aged, blind, and disabled populations that rely on Medicaid are uniquely vulnerable, and alternative methods of funding much needed care simply do not exist. Medicaid already underpays for certain services, and restructuring of federal financing could be disastrous for this population group. As efforts to reform the program move forward, lawmakers need to protect those who are the most vulnerable and ensure services like nursing care remain a mandatory benefit for these populations.

Nursing center care is delivered to over 4 million Americans in over 15,000 centers nationwide every year. The Medicare and Medicaid programs primarily fund the services provided in these centers. Medicare covers post-acute stays in these facilities, while Medicaid covers long term stays.

People who require nursing center care under Medicaid typically require extensive help with basic daily activities, assistance due to Alzheimer's disease or other dementias, and can have multiple chronic conditions. Medicare and private insurance do not cover many of these critical services. **When going forward with health care reform efforts, lawmakers must protect Medicaid's critical role in caring for some of America's most frail and vulnerable citizens.**

## People who require long term services and supports have unique care needs.

Individuals receiving long term services and supports (LTSS) under Medicaid have profound, ongoing needs. In a typical nursing center, 63 percent of the people there rely on Medicaid to finance part or all of their care. Additionally, virtually all individuals with developmental disabilities rely on Medicaid and 15 percent of residential care facility residents, including those at assisted living, rely on Medicaid.

Over one million Americans reside in nursing centers as their home. These individuals are extremely frail and over two-thirds suffer from dementia. On average, these residents need assistance with four out of the five activities of daily living, such as bathing, toileting, walking, feeding, and transferring.

## The Average Medicaid Long Stay Resident...



Needs Assistance with

**4 out of 5**  
activities of daily living

## Medicaid already underfunds nursing center care.

Despite the importance of Medicaid to the nation's most sick and frail individuals, on average, providers were paid only 89 cents for every dollar of allowable costs for nursing center care in 2015. This amounts to a national shortfall that is expected to exceed \$7 billion.

This comes at a time when the Medicare Payment Advisory Commission stated that total nursing center margins are at a razor-thin 1.6 percent.<sup>1</sup> Further erosion of this margin would threaten individuals who are in the greatest need of quality nursing services. Furthermore, it would likely force some nursing providers to pull out of the Medicaid program entirely in order to keep their doors open, creating serious access problems for patients with nowhere else to turn.

With such a reliance on Medicaid funding, there continues to be a major disconnect between what Medicaid pays for nursing center services and the cost of providing those services. Despite this gap, consumers expect and regulators demand that nursing center providers continue to deliver high quality patient care. Nursing centers continue to demonstrably improve quality of care despite the struggle to manage operating costs within reimbursement constraints and pressure to improve the physical environment for patients.<sup>2</sup>

**\$7 Billion**  
national nursing center Medicaid shortfall

**89¢**

the amount Medicaid pays for  
every dollar of nursing care

**1.6%**  
nursing center margin

## Few other options for financing long term care exist.

Few private long term care financing options are available, making Medicaid a critical resource for the nation's frail elderly. Many Medicaid beneficiaries have exhausted their personal funds and have no other choice when it comes to how to pay for care.

The long term care insurance market has contracted significantly in recent years. Rising claims, low mortality, and lower than expected lapses have led to higher prices, which are often unaffordable to a large segment of the population. Sales are well below their 1990 levels, with group sales dropping nearly 50 percent in the last decade.<sup>4</sup>

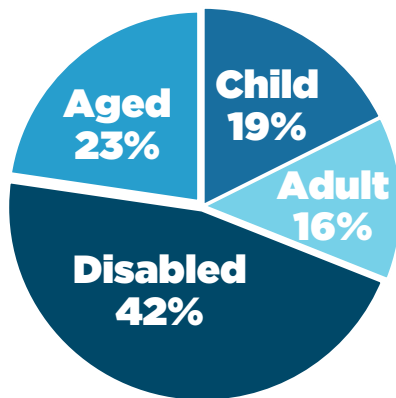
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<sup>1</sup> MedPAC presentation, "Assessing payment adequacy and updating payments: Skilled facility services," December 8, 2016.

<sup>2</sup> See: AHCA Quality Initiative results

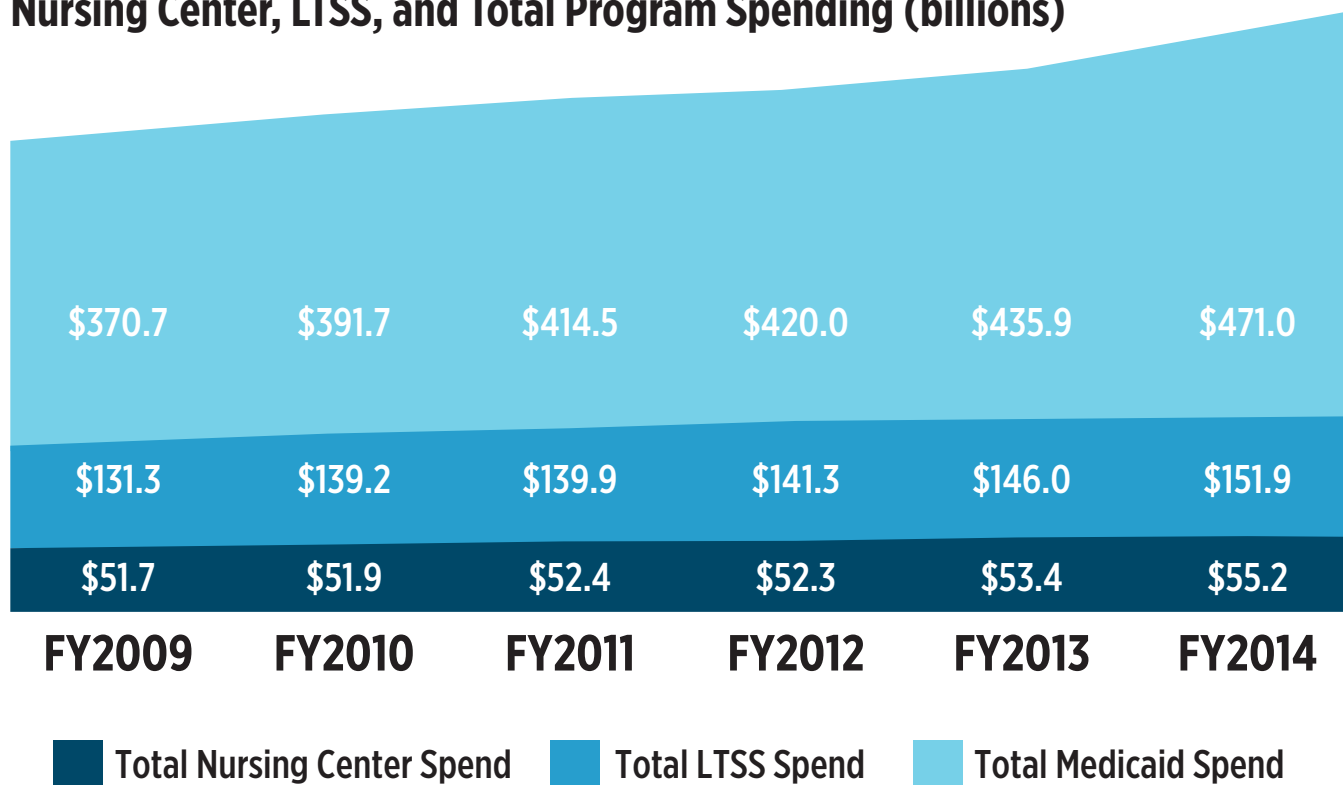
<sup>3</sup> National Association of Insurance Commissioners and Center for Insurance Policy and Research. "The State of Long-Term Care Insurance: The Market, Challenges and Future Innovations." May 2016.

## Program Spending Growth on Nursing Facilities is Comparatively Low



Spending on Basis of Medicaid Eligibility

### Nursing Center, LTSS, and Total Program Spending (billions)



Medicaid spending on nursing center care has remained relatively consistent compared with recent growth in overall programmatic spending. Between fiscal years 2009 and 2014, the average per-year growth of Medicaid spending on nursing center care has been consistently lower than overall program growth during this same time.<sup>3</sup>

### Medicaid Spending Growth

	FY09 to FY10	FY10 to FY11	FY11 to FY12	FY12 to FY13	FY13 to FY14
Medicaid percent change	5.7%	5.8%	1.3%	3.8%	8.1%
LTSS percent change	6.0%	-0.2%	1.7%	3.3%	4.0%
Nursing Center percent change	0.3%	0.9%	-0.2%	2.1%	3.3%

<sup>3</sup> <https://www.medicaid.gov/medicaid/ltss/downloads/ltss-expenditures-2014.pdf>

## Medicaid is a resource for individuals in assisted living communities.

The majority of assisted living residents pay for their room, board and care services through private funds. However, 15 percent of the nation's 835,000 assisted living residents rely on Medicaid for their daily care.<sup>4</sup> While Medicaid does not pay for room and board in assisted living, it can cover personal care services for residents and is important for ensuring that seniors can receive care in their preferred setting.

An estimated 47 percent of assisted living communities are Medicaid home and community-based service (HCBS) providers. Some communities have a majority of residents who are on Medicaid, while others will accept Medicaid for existing residents who have spent down their assets and since qualified for Medicaid.

Most state Medicaid programs use waivers to provide HCBS in assisted living, though a small number of states cover these services under their State Plan. For those that use waivers, a § 1915(c) HCBS waiver is the most common type. States may also use other waiver authorities, including § 1915(i) Medicaid State Plan HCBS, § 1915(k) Medicaid Community First Choice Option, § 1915(b) Medicaid managed care, or §1115 demonstration programs.

**1 in 6**

**assisted living residents  
rely on Medicaid**

**47%** of assisted living communities  
are Medicaid-certified

**§ 1915(c)** is the most common HCBS waiver  
used by states to provide Medicaid  
coverage of AL services

## AHCA/NCAL wants to find solutions.

AHCA/NCAL has a proven history of working with lawmakers to find solutions that preserve quality of care while saving the government money. Medicaid cuts to elderly and frail populations, however, unnecessarily puts an already at-risk population in even more danger.

Ensuring access to quality care depends on sufficient Medicaid funding. **As health care reform efforts move forward, lawmakers must protect America's most frail and vulnerable populations by ensuring they have access to meaningful Medicaid coverage.** Medicaid should be protected and preserved, as any cut puts these millions of Americans at severe risk.

<sup>4</sup> National data are collected on residential care facilities, which include assisted living communities, by the National Center for Health Statistics in the Centers for Disease Control. For the purposes of this brief, AHCA/NCAL refers to these facilities as assisted living communities

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