SNF Payment Reductions – A Timeline

SNFs have incurred $28 billion total in cuts and reductions to Medicare.

**FY 2006 Change in RUG classifications**
Original cut was $1.5 billion which was ultimately reduced to $750 million to account for adjustment for variability in non-therapy ancillary services.

**FY 2010 CMS Rule**
Estimated decrease of $12 billion over 10 years (FY 2012-2021) from the 3.3% forecast error (i.e., case mix) adjustment in FY 2010.

**Sequestration**
This statutory requirement, which affects Medicare payments beginning in 2013, will result in a cut of 2% to payments. An estimated decrease of $670 million for the nursing home sector.

**Medicaid Cuts**
The deteriorating economic conditions across the country also have led to significant reductions in Medicaid payments to nursing homes, compounding the risk to providers, employees and patients.

Estimated Medicaid shortfall for 2011 is $19.55 per Medicaid patient day.

**Federal Health Reform**
Estimated decrease of $14.6 billion over 10 years from productivity adjustments/reductions in the market basket (inflation) update starting in FY 2012 payments to nursing homes, compounding the risk to providers, employees and patients.
Reports Show Skilled Nursing Centers on the BRINK

The Moran Company
Assessing the Financial Implications of Alternative Reimbursement Policies for Nursing Facilities

Key Findings

• Nursing homes nationwide were operating at a margin of 0.75% of revenues in 2009.
• The study’s findings confirm the 2011 Report to the Congress: Medicare Payment Policy from the Medicare Payment Advisory Commission (MedPAC), reaffirming that skilled nursing facilities are operating on a thin margin.
• Weighing the possible effect of additional cuts to the sector (a two-year suspension of market basket (cost of living) adjustments and a 25% limit on the federal government’s coverage of costs from bad debt Medicare patients) could result in nursing facility margins falling as low as -3.1% over a 10-year projection.

Impact of Policy Changes on Nursing Facility Margins: % of Revenue

Eljay, LLC
A Report on Shortfalls in Medicaid Funding for Nursing Home Care

Key Findings

• The average shortfall in Medicaid reimbursement for nursing home care is projected to be $6.3 billion for 2011, or $19.55 per Medicaid patient per day.
• With Medicare rate reductions scheduled for 2012 and Medicaid margins projected at a negative 14%, a facility’s combined margin from these two government programs will not break-even – reaching only a negative 2.7%.
• Medicaid reimburses nursing facility care at a rate of about 90 cents for every dollar.
• Medicare cross-subsidization of Medicaid continues to serve an important function in sustaining nursing home care. In 2009, the combined reimbursements from both Medicare and Medicaid resulted in break-even operating margins for nursing facilities.