Preserve and Protect Medicaid Funding for Long Term Care

Medicaid is the primary payer for long term services and supports (LTSS). It covers a range of services, including those needed by people to live in the community such as home health and personal care, as well as services provided in traditional settings such as nursing centers. Many of these critical services are not covered by Medicare or private insurance. Medicaid pays for 63 percent of people receiving nursing center care and about 19 percent of assisted living residents, and this number is only expected to increase over the next few decades.

Medicaid’s Chronic Underfunding of Nursing Center Care
In the absence of a federal statute requiring state Medicaid programs to reimburse for the cost of care, LTSS providers continue to struggle with operating costs such as skilled labor and increased use of medical technologies, which exceed reimbursements from Medicaid. An independent national study estimates that the national Medicaid shortfall for nursing centers was $21.20 per Medicaid patient, per day in 2014. In other words, Medicaid reimbursed, on average, approximately 90 cents for each dollar of allowable costs nursing centers incurred caring for Medicaid patients. In fact, the Medicare Payment Advisory Commission (MedPAC) has found that Medicaid’s share of patients in a center influences the overall margin: “The higher the share of Medicaid patient days in a center, the lower its total margins.” Additional research suggests that higher Medicaid nursing center rates may help contribute to lower Medicare expenditures, highlighting the importance of payment adequacy.

Home & Community-Based Services Option
AHCA/NCAL believes that individuals should receive essential LTSS in the least restrictive and most appropriate care setting, including home and community-based services (HCBS), such as assisted living communities and group homes, as well as home health and personal care services. Still, we are concerned about recent research that has shown that individuals who transition from a nursing center to HCBS have a greater risk of hospitalization, highlighting the need for appropriate transition planning if such services are to be cost effective. In addition, similar payment challenges exist for HCBS services as they do for other traditional LTSS, with state Medicaid programs typically reimbursing providers below actual costs of care and providing insufficient funds to cover the cost of assisted living residents’ room and board. With the implementation of a new HCBS rule by the Centers for Medicare & Medicaid Services, there are ongoing concerns with how states will define HCBS in the coming years and ensuring settings like assisted living continue to be able to be included in the Medicaid waiver programs.

Managed Care
Medicaid managed long term services and supports (MLTSS) is a rapidly growing payment and systems transformation effort, with an increasing number of states choosing to deliver LTSS through arrangements with managed care organizations. MLTSS programs differ significantly from state to state, including the populations covered, whether enrollment is mandatory or voluntary, the geographic reach of the program, and the number of contracted plans per region. There is a widely held view that providing coverage through a managed care model may lead to improved coordination and cost savings through reductions in utilization. However, research on the effects of managed care on reducing costs and improving outcomes is limited, and the few evaluations conducted to date indicate that results are mixed. As states continue to transition to this delivery system model, it is critical to ensure that states and plans are equipped and able to provide high quality and cost-effective care for complex patients with varying needs.

Working Toward Longer-term Solutions
AHCA/NCAL welcomes the opportunity to work with Congress and the Administration on innovative solutions that address the real challenges ahead in terms of providing quality LTSS, while preserving the Medicaid safety net – especially as new health care insurance reforms expand access to, and reliance on the Medicaid program for millions of Americans.

Key Facts
- 63% of nursing center patients & 19% of assisted living residents rely on Medicaid on any given day for their care.
- Medicaid is the largest payor of long term services and supports.
- Medicaid reimburses 90 cents for each dollar of allowable costs nursing centers incurred in 2014, on average.
- The share of Medicaid payment directly affects nursing centers’ overall margins—the higher the share of Medicaid, the lower the overall margin.