Congress: Don’t Extend Medicare Sequester to Pay For Non-Medicare Issues

Extension and Expansion of the Medicare Sequester is not a piggy-bank for non-Medicare programs

- Cutting Medicare to pay for non-Medicare programs exacerbates an already fragile Medicare system and endangers quality care.

Any increase in Medicare cuts is unsustainable to an already-stretched profession

- Skilled nursing operates on razor-thin margins. MedPAC estimated 2013 overall operating margins at 1.9 percent.¹ This number reflects Medicare, Medicaid and private pay, but it does not take into consideration the sequestration cut.

Such thin operating margins are not sustainable, particularly for the skilled nursing profession:

- Skilled nursing centers directly employ 1.8 million Americans and support millions more in economic activity.
- Approximately 70% of skilled nursing costs are labor-related—razor thin margins directly affect the economic activity that skilled nursing generates.

A series of cuts over the last five years has resulted in little or no margin in the skilled nursing profession.

- Since 2011, the skilled nursing sector incurred two productivity adjustments, the sequester and sequester extensions, reductions in bad debt reimbursement, a value-based purchasing cut, and a market basket freeze.
- On top of this, providers still have five more years of productivity adjustments that will further erode margins (approx. $15b in additional cuts).

Further reductions to the profession threaten access to care for millions of Americans.

- More than three quarters of individuals receiving care in a skilled nursing care center rely on Medicare or Medicaid to pay for their care.²
- On any given day, there are approximately 1.37 million Americans receiving skilled nursing care and more than 3.5 million Americans receive SNF care every year—that number will continue to grow as Baby Boomers enter retirement age.³

We want to be ready for reforms and new payment and delivery system models.

- The profession knows new payment models are coming. We are embracing these new policies. Yet cuts to market baskets and overall rates prevent providers from investing in the necessary building blocks that will help us move to these new payment and delivery system reforms.

¹ MedPAC, Report to Congress: Medicare Payment Policy, March 2015
³ ibid