

STATEMENT

Of



American Health Care Association



National Center for Assisted Living

For the

U.S. House of Representatives Energy & Commerce Subcommittee on Health

Hearing on

Making Health Care Work for American Families: Designing a High Performing Healthcare System

March 10, 2009

The American Health Care Association and National Center for Assisted Living (AHCA/NCAL), which represents nearly 11,000 dedicated long term care providers, commend Chairman Frank Pallone and Ranking Member Nathan Deal and the members of this committee for the first in a series of hearings seeking to address a tremendous need in this country – making health care work for American families. As you consider expert testimony and review options regarding the design of a high-performing healthcare system, we ask that you keep one fact in mind – the majority of Americans will require long term care services at some point in their lives, which is why any national health reform plan must address long term care.

Long Term Care – A Healthcare Segment in Need of Reform

Americans are living longer and our nation's aging population is growing. Each year, more than 3 million Americans are cared for one of the nearly 16,000 nursing facilities in the United States with nearly 80 percent relying on Medicare or Medicaid to pay for the care they need. Millions more of America's seniors depend upon care and services offered by assisted living communities or in their own homes. The demand for this kind of care is projected to more than double with as many as 9.3 million older Americans expected to rely on paid long term care services every year – either in a nursing facility or with paid home care – by 2040.

Given this growing demand, it is imperative that all of us – government, providers, and consumers – work together to ensure that America's healthcare system can both meet the care needs of our frail and elderly while preserving individual choice, and be cost-effective and sustainable when demand for long term care and services will dramatically increase in the coming years. Nearly two-thirds of frail, elderly, and disabled residents who require nursing

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facility care – about a million individuals on any given day – rely on Medicaid to pay for the care they need. Another 115,000 assisted living residents have their care services paid through Medicaid waivers. Yet, many states are finding it difficult to keep pace with those needs as Medicaid spending often consumes the largest share of a state’s budget.

Medicaid is the single largest purchaser of nursing home and other long term care services, a fact of great concern as future growth could mean state Medicaid programs may not be able to meet the care needs of patients in the years ahead. In 2004, nearly 1.7 million individuals relied on Medicaid to cover their nursing facility care. That year, Medicaid payments for nursing facility services exceeded \$47 billion, which falls an estimated \$4.6 billion shy of the actual cost of providing that care. Such disparity highlights the ongoing struggle that exists for federal and state governments to commit adequate resources to meet today’s needs and tomorrow’s expectations.

Home and community-based services (HCBS) address the long term care needs of millions of Americans annually. Certainly, we believe that individual choice in the type and setting of long term care and services must be preserved, to include the availability of HCBS for all consumers. In fact, HCBS and facility-based long term care should be complementary to one another, as both fulfill unique needs for the consumer. Our concern is not about expanding the HCBS option to all Medicaid beneficiaries who meet the requirements for receiving facility-based care, but rather that such an expansion would come at a significant cost for state and federal governments that can ill-afford it. The Congressional Budget Office’s *Budget Options* that was released in December 2008 analyzed this very proposal stating that, “this option would increase Medicaid spending by approximately \$20 billion over the 2010 – 2014 periods and by about \$90 billion over the 2010 – 2019 periods. That estimate incorporates a reduction in nursing home spending as a result of a modest decline—compared with current law—in the number of Medicaid beneficiaries who receive care in nursing homes and a subsequent increase in the number of individuals receiving HCBS.” In short, according to CBO, expansion of HCBS would further contribute to the financial crisis facing the entire long term care sector and our nation at this time.

Person-Focused, Cost-Effective Reform Proposal

In an effort to bring thoughtful ideas and potential solutions to the table, AHCA/NCAL and the Alliance for Quality Nursing Care have partnered with Avalere Health to develop a comprehensive health care reform plan. Our proposal addresses the need for change – both in the financing and delivery of long term and post-acute care. Highlights of our proposal include replacing the current patchwork of financing with a voluntary federal system; developing a new, federal, catastrophic long term care benefit; enhancing private long term care financing; and streamlining our post-acute care delivery system. We believe that our plan would provide a single, unified method for maximizing individual preferences and program value, which ensures people are cared for in the most clinically appropriate, high-quality setting.

In the coming weeks, Avalere Health will release an updated long term and post-acute care financing and coverage reform model that expands upon our existing proposal and includes conservative cost-estimates that illustrate how this comprehensive reform plan would provide

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budgetary savings over time. We look forward to sharing that update with Chairman Pallone, Ranking Member Deal, and the members of this committee.

Reforming an Oversight System to Reward and Encourage Quality

As well as including long term care in any dialogue addressing national healthcare reform, if we are truly going to be able to create a high performing long term care system, Congress must address regulatory reform. Today's regulatory and oversight system does little to recognize or reward quality outcomes. In fact, it defines "success" and quality in a context that is often measured by the level of fines levied and the violations tallied – not by the quality of care, or quality of life, as was Congress' original intent in implementing the *Nursing Home Reform Act*.

In fact, a January 2006 GAO report on nursing home oversight indicates that the nation's Survey and Enforcement System for nursing homes is consistently inconsistent, with significant variations from state to state. AHCA and our members have long maintained that a one-dimensional, punitive approach does not get to the overall goal of achieving quality care.

We believe that achieving a sustained level of quality care will only be fully realized when there is a collaborative effort to recognize and implement improved health care technologies and best clinical practices that are designed to improve and enhance patient outcomes. This type of culture change is essential to appropriately address the needs of a growing and changing patient population and a shrinking pool of caregivers.

We believe that such a reformed, fair, and effective survey process should embody three guiding principles:

- Surveys should be fair, accurate, and consistent;
- Surveys should protect the health and safety of residents; and
- Surveys should focus on areas requiring improvement.

Today, we know far more about promoting quality, and we have better tools with which to measure it than we did twenty years ago when the *Nursing Home Reform Act* was enacted. We need to intelligently change the regulatory process to allow and encourage us to use what we have learned – to place quality over process, care over procedure, and most importantly, put patients at the forefront.

The fact is healthcare reform has been delayed – and long term care has been left on the sidelines—for far too long. Now is the time to change that fact. As you and your colleagues in Congress and the Administration take on the tough task of healthcare reform, the American Health Care Association and National Center for Assisted Living stand ready to work with you to achieve person-centered, cost-effective, and sustainable long term care that is part of our nation's overall healthcare system.

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