



*Statement of*

**The American Health Care Association**

*for the*

**U.S. House Ways & Means Health Subcommittee**

*Hearing on*

**MedPAC's March 2011 *Report to the Congress***  
**on Medicare Payment Policy**

**March 15, 2011**

---

The American Health Care Association (AHCA) appreciates Chairman Wally Herger (R-CA), Ranking Member Pete Stark (D-CA) and the Members of this committee for the opportunity to offer this statement for your consideration as you review the recommendations included in the Medicare Payment Advisory Commission's (MedPAC's) *2011 Report to the Congress*.

The nation's leading long term care organization, AHCA and our membership of more than 11,000 non-profit and proprietary facilities are committed to the delivery of professional, compassionate care for America's seniors and people with disabilities. AHCA agrees with MedPAC's stated goal of achieving "a Medicare program that assures beneficiary access to high-quality care, pays health care providers and health plans fairly, and spends tax dollars responsibly." Even so, we take exception with several of its recommendations, including that Congress provide no market basket update for skilled nursing care for fiscal year (FY) 2012.

***Providing Measureable Improvements in Quality***

Millions of America's seniors rely on Medicare to pay for their health care needs across care settings, which often includes an average month-long stay in a skilled nursing facility after being hospitalized after a heart attack or stroke, or for hip or knee replacement surgery. Beneficiaries' access to care is one of the key components that MedPAC reviewed in its assessment of existing payment rates for each of ten different Medicare fee-for-service payment systems, including: hospital inpatient; hospital outpatient; physician and other health professionals; ambulatory surgical center; outpatient dialysis; skilled nursing; home

health; inpatient rehabilitation; long term care hospital; and hospice. The other key components MedPAC identified as critical to determining the adequacy of current payment rates in its *2011 Report to the Congress* are a sector's capacity for delivering care, care costs, Medicare payments, and care quality.

AHCA appreciates MedPAC's consideration of those key components – especially care quality – in assessing the adequacy of Medicare payment rates. Ironically, it is precisely because of the relative stability that Medicare payments have brought to the long term and post-acute care sector that there has been measureable improvement in 16 of 26 quality indicators monitored by the Centers for Medicare & Medicaid Services (CMS) between 2000 and 2009. Moreover, as noted in our *2010 Annual Quality Report*, providers' focus on quality also has contributed to an annual increase in the percentage of Medicare beneficiaries discharged to the community within 100 days since 2003.

Ensuring adequate, stable Medicare funding for FY 2012 is especially critical given the recession – indeed fiscal instability of state Medicaid budgets. With approximately 70 percent of facility costs related to labor and the inextricable link between quality and stable funding, we are concerned that MedPAC's advice to provide no cost-of-living adjustment for skilled nursing care in FY 2012 will have a direct, negative effect on patients, caregivers and facility operations overall.

### ***Medicare-Medicaid Cross Subsidization***

AHCA appreciates that Section 2801 of the *Patient Protection & Affordable Care Act (PPACA)* has expanded MedPAC's duties in recognition of the real and growing inter-dependence between Medicare and Medicaid by allowing the Commission to consult on certain Medicaid-related issues that impact federal payment policy. Such consideration is critical when considering that 65 percent of skilled nursing facility patients rely on Medicaid to fund part, or all, of their skilled nursing care; the number of dually eligible beneficiaries who need long term care and services; and the Medicaid program's chronic underfunding of that care.

The chart below reflects the most recent data as prepared for AHCA by nationally-recognized Medicaid experts at Eljay, LLC in *A Report on Shortfalls in Medicaid Funding for Nursing Home Care*, which was released in December 2010. The data shows how significant this underfunding is – estimated to be \$5.6 billion in 2010 alone.

Figure VIII*					
<b>Estimated Combined Medicare/Medicaid Shortfall for 2010</b>					
<i>Payer</i>	<i>2010 Average Rate</i>	<i>Days in Millions</i>	<i>Revenue in Billions</i>	<i>Margin (Shortfall) As % of Revenue</i>	<i>Net Margin (Shortfall) in Billions</i>
Medicare	\$ 422.07	72.5	\$ 30.60	10.3%	\$ 3.15
Medicaid	\$ 172.16	325.2	\$ 55.99	(10.1%)	\$ (5.65)
			\$ 86.59		\$ (2.50)
<b>Net Medicare/Medicaid Shortfall as a Percentage of Revenue (2.9%)</b>					
<i>Sources: Medicare Rates &amp; Days based upon AHCA Reimbursement &amp; Research Department SNF PPS Simulation Model using 2008 SNF claims data. Medicare 2010 projected margin percentage derived from March 2010 Medicare Payment Advisory Commission (MedPAC) Report to Congress, March 2010. Medicaid rates, days &amp; margins derived from this report.</i>					
<i>*Figure VIII reproduced from page 15 of Eljay, LLC December 2010 report. To view the entire report, go to <a href="#">A Report on Shortfalls in Medicaid Funding for Nursing Home Care</a>.</i>					

### ***Advancing Quality***

In addition to Medicaid underfunding, both federal regulatory and budgetary actions over the past two years call for nearly \$30 billion in Medicare cuts over the next decade. AHCA asks that the Members of this Health Subcommittee, along with the Members of the full Ways and Means Committee, keep these facts in mind during your deliberations about federal funding of long term care. We also ask that you encourage CMS to work with stakeholders in developing a more integrated approach to federal funding that may help to resolve chronic Medicaid underfunding of long term care.

Despite the complex issues and recommendations detailed in MedPAC's 2011 Report to the Congress, the matter at hand is relatively simple. When Medicare funding for skilled nursing care remains stable, quality of care and services improve. This fundamental connection is the reason Medicare funding for FY 2012 represents such a critical calculation for Congress, for long term care, and for those who rely on the care AHCA's membership provides each day.