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HCAM Legislative Update August 2009

Hundreds of Millions Lost In Federal Funding Through Cuts to Medicaid Providers ***Cuts to Medicaid Providers Is Penny Wise and Pound Foolish***

Michigan lost approximately \$40 million in federal matching dollars when nursing facilities were cut four-percent through Executive Order 2009-22 in May. Additional federal funding was lost with the four-percent cut also applying to hospitals and physicians.

Currently, the Senate passed Michigan Community Health budget contains an eight-percent cut to nursing facilities, hospitals and doctors. As the table below details, an eight-percent cut to nursing facilities results in nearly \$78 million in forgone federal funding. Again this number grows exponentially to \$260 million when applied to hospitals and physicians.

ESTIMATED COST OF NURSING FACILITY RATE CUT FY 2010

Medicaid Rate and Day Data	Annualized Data	Reduce 4%	Reduce 8%
Average Medicaid Variable Rate	\$154.11		
Estimated Cut Per Day of Care		\$6.16	\$12.33
Medicaid Days of Care	9,603,933		
Annualized Cost of Cut		\$59,201,409	\$118,402,818
Estimated General Fund Savings		\$19,733,803	\$40,548,910
Lost Federal Dollars		\$39,467,606	\$77,853,908

Certainly an eight-percent reduction to nursing facilities delivers a direct devastating blow. Overall, nursing facilities currently operate with the smallest overall margins amongst all health care providers, about three-percent. With nearly seventy-percent of nursing facility reimbursement used directly for employee wages and benefits, cuts of this level leave no other option than significant employee cutbacks and layoffs...providers can not absorb cuts of this size and will be forced to make some very difficult decisions. Potentially nursing facilities serving high Medicaid populations, particularly in urban areas may close. This is compounded by the near 2-1 loss of federal dollars that can be used to address other shortfalls in the budget.

Our profession is people taking care of people. Many of Michigan’s most vulnerable citizens rely on us for a voice and to advocate on their behalf. Adequate resources, both human and monetary are needed to provide the quality care our residents deserve and we are committed to providing. Under all reasonable scenarios the need for twenty-four hour, quality, skilled nursing care remains and will continue to be a core government responsibility to its senior citizens. **Making these cuts would undermine the health care safety net for thousands of elderly that rely on nursing facilities for their care while jeopardizing hundreds of millions in federal funding!**

Please contact Melissa Samuel, vice president of government services, if you have questions about HCAM’s position on pending legislation or would like to work together to help Michigan’s senior population.