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HCAM Legislative Update July 2009

Michigan Nursing Facilities Face Massive Federal Funding Cuts

As part of the national debate to overhaul our health care system, the ***America's Affordable Health Choices Act of 2009***, HR 3200, was recently introduced in the U.S. House of Representatives. The bill contains detrimental cuts to Medicare payments for skilled nursing facilities amounting to approximately **\$44.9 billion**. This staggering number does not account for a proposed Center for Medicare and Medicaid Services (CMS) rule change which would slash \$1.05 billion in Medicare funding for crucial skilled nursing care in FY 2010 – estimated to be **\$16 billion** during a 10-year period.

The proposed cut will have a far-reaching impact on our nation's already faltering economy. In FY 2010 alone, the proposed cuts would result in job losses of more than 30,000, the elimination of \$2.54 billion in business activity and an additional \$1.1 billion in lost wages and income. For Michigan, the proposed economic impact of the \$1.05 billion reduction in Medicare Part A skilled nursing facility expenditures is estimated as a reduction of \$57 million in business activity, a reduction of \$28 million in labor income and a loss of 910 jobs.

Combined, **the total impact is \$52.9 billion over 10 years nationally** – an average loss of more than two years' worth of Medicare revenue for every nursing home in America.

Nursing facilities are valuable economic engines in their communities, employing nearly 1.5 million Americans and representing 1.1 percent of the U.S. GDP. Overall, nursing facilities currently operate with the smallest overall margins among all health care providers – about three percent. These low operating levels are due to the chronic underfunding of Medicaid payments for nursing facilities, which is the payor for approximately 69 percent of our patients each day. Facilities lose, on average, \$12.48 per Medicaid patient, per day, totaling \$4.2 billion each year nationwide. Therefore, Medicare funding plays a more critical role in financing skilled nursing care than for any other health care provider and must be sustained. Given these Medicare and Medicaid proposed cuts, and since about 70 percent of operating expenses are labor-related, nursing facilities would be hard-pressed to maintain jobs, wages and benefits in the face of even greater economic instability, despite the growing need for services and many job vacancies created by the current demand.

Michigan nursing facilities face unprecedented reductions on both the federal and state level. Federal cuts to Medicare, combined with the proposed Senate reduction of eight percent (\$ 118 million) in the 2009-2010 Department of Community Health budget, will devastate providers and create a ripple effect – putting at risk the quality of care to residents and the loss of tens of thousands of jobs for long-term care providers across the country.

Please consider the proposed federal cuts providers are facing and oppose substantial reductions to nursing facilities currently in the Senate version of the 2009-2010 Michigan Department of Community Health budget.

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.