

# Promoting excellence



## Legislative Update - March

### Impact of Cuts to Medicaid Providers

Last year, HCAM strongly urged the Legislature to not cut Medicaid rates. We argued that rate cuts would cause reductions in the long term care work force, compromise quality of care and send hundreds of millions of health care dollars critical to our residents and to our economy back to Washington. Many of these unfortunate consequences have come to pass during the past year. As we have observed nursing facilities and other Medicaid providers struggle to maintain a high quality of care in the face of budget reductions, we are struck by their commitment to protecting residents who are Medicaid beneficiaries. The following shows how our members are managing reductions in the current year:

- Staff lay offs, cut positions, hiring freezes or unfilled staff vacancies.
- Shortened shifts for activities and other support staff.
- Decreased or cancelled scheduled wage or cost of living increases and the withholding of planned bonuses.
- Reduced directly provided or contracted therapy services.
- Delays or cancellation of planned building improvements.
- Beds taken out of service.
- Decreased health insurance coverage or increased employee share of health care costs. Increased deductible and co-pay amounts for pharmacy, ER visits and other services. One member noted that in addition to the impact of the rate cut, further reductions were required to cover the 16% increase in employee health care premiums.
- Renegotiating labor contracts to achieve wage or other concessions, and many more.

It is clear most facilities tried to plan reductions in areas that did not have an impact on direct care, but that was not always possible and it certainly will not be possible if further reductions are made to Medicaid rates.

The state/federal partnership represented by the Medicaid program holds out the promise of quality health care for Michigan beneficiaries. Quality services provided in nursing facilities are defined by each resident's needs and desires based on their preferences, i.e. person-centered care. The promise of Medicaid to each beneficiary is to assure the provision of quality services on their behalf. That promise begins with the procurement of those services. When Medicaid begins to erode the procurement process for Medicaid services, as it is at this moment with the potential of further cuts to the nursing facility provider rate, it abandons the Medicaid commitment to quality on behalf of all recipients who require long-term care services.

Further cuts to Medicaid rates in FY 2011 are particularly ill advised. The FY 2010 eight percent rate cut eliminated \$355 million in payments to nursing facilities, hospitals and physicians to save \$95 million in state funding. This meant a loss to Michigan of \$260 million in federal funds. These dollars support direct care staff in nursing facilities and other health care settings as well as contribute to the state and local economies. Goods and services purchased, the jobs supported and the sales and income tax revenue generated with these funds are important to Michigan. Let's not make this mistake again.

### CHAMPS and Bridges Computer Systems

In addition to rate cuts, nursing facilities and other Medicaid providers are challenged by long delays in receiving payment and in having eligibility determined. The new Medicaid claims processing system CHAMPS (Community Health Automated Claims Processing System) had and continues to have numerous implementation problems. Along with the delays in determining eligibility caused by the Department of Human Services new Bridges eligibility system, many of our members have seen their accounts receivable double. Other Medicaid providers are affected by these problems as well. These delays dramatically impact cash flow which is needed to meet employee payrolls. The rise in the amounts owed our members for services provided for Medicaid recipients has brought additional scrutiny by lending institutions regarding their ability to pay mortgages and other expenses, and severely hampered members' access to operating loans to address the cash flow delays. Both departments are working on the problems but resolution does not appear to be in the near future. These issues are only compounded with the impact of Medicaid rate cuts in the current and previous fiscal years.

### HCAM CONTACT

Please contact Melissa Samuel, Vice President of Government Services, at (517) 627-1561 if you have questions about HCAM's position on pending legislation or would like to work together to help Michigan's senior population.