



## **Reinventing long-term care in Michigan**

Caring for approximately 40,000 Michiganders each day, nursing facilities fill a unique and integral role in our healthcare system. They are the most widely used post-hospital setting of care for Medicare beneficiaries and they care for a majority of Medicaid beneficiaries receiving long-term care.

Nursing facility care is designed to improve functioning and discharge patients back to their homes. Medicare is the primary payer for this level of care and nursing facilities provide quality post acute care at a cost which is lower than other rehabilitative care settings.

Nursing facilities also care for a more medically complex, functionally limited and cognitively impaired longer term population. This population has exhibited increasing severity of need over time. The state/federal Medicaid program is the primary payer for long-term care provided in skilled nursing settings.

Long term care in Michigan will continue to reinvent itself as it prepares for the ultimate challenge -- the aging of the largest generation in American history. It is estimated 7,000 Baby Boomers will turn 65 each day for the next two decades. This reality challenges us to reinvent long-term care in Michigan. Michigan must resolve to:

- Improve quality and initiate an outcome-based approach to regulation of long-term care. The state must reinvent the way it regulates long-term care to reward good performance, improve poor performance and apply quality outcomes to the entire continuum of long-term care. The state/federal survey functions should be subject to competitive advantage through an open bid process. In a reinvented system, quality and regulation come together to improve outcomes for residents and to boost quality through pay for performance budgeting.
- Preserve the infrastructure and system capacity that currently exists by paying Medicare and Medicaid rates to providers that cover the actual cost of care. A recent national study of Medicaid rates paid to skilled nursing facilities found rates do not cover the cost of care. Incredibly, the national average rate Medicaid pays nursing facilities to provide 24/7 care for elderly patients breaks down to less than the minimum wage. Last March, Medicare therapy rates were reduced by \$14.6 billion over 10 years by federal health care reform, further challenging the financial stability of nursing facilities.
- Ensure beneficiaries are guided to the correct setting. Governor Snyder proposed individuals eligible for both Medicare and Medicaid, be integrated into a managed care service delivery model. This will significantly affect post-acute and long-term care for Michigan's frail elderly. More than 200,000 persons are dually eligible in Michigan. In nursing facilities, this applies to more than 35,000 residents. Managed care might not be the most effective option for this distinct population. Savings may or may not be a result of this coordination and should not be the main focus. It is essential that beneficiaries are guided to the right setting, at the right time, for the right value.

Michigan's biggest challenges in long-term care lie ahead. It is imperative that our governor, Legislature and stakeholder community all participate in reinventing long-term care in Michigan.

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