

Wisconsin Association of Homes and Services for the Aging, Inc.

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August 31, 2007

To: Members of the 2007 SB 40 Budget Conference Committee

From: John Sauer, Executive Director

Subject: The Impact on Nursing Homes of a Rate Freeze in 2007-08

As noted in our July 23, 2007 memo to the SB 40 conferees, WAHSA not-for-profit nursing home providers **support the Assembly position on Nursing Home Rates and Bed Assessment Increase**. The Assembly budget provides nursing homes with a much-needed, GPR-funded 5% MA rate increase in 2008-09, as well as the return of \$13.8 million in bed tax revenues which have been diverted to the general fund. Just as importantly, it provides nursing homes with a rate increase that is not generated by an unfair tax on residents whose apparent sin was when they became frail and elderly, they chose to pay for their own nursing home care rather than divest their assets and let Medicaid pay for that care.

However, as we noted in our July 23rd memo, the failure to provide any MA rate increase in 2007-08 could spell disaster for many facilities. Indeed, it is our understanding there will be announcements soon that two more nursing homes will be closing in the next couple of months: one in Milwaukee County, where access to nursing home care already is a problem, and one in Burnett County, which will cut by 50% the number of nursing homes in that rural county. Those two closures will be coming regardless of the MA rate increases contained in SB 40; the operators of those facilities simply decided they no longer have the ability to provide quality care to their residents. That will raise the nursing home closures in Wisconsin in the past five years to over 40, with the primary cause for those closures invariably being inadequate Medicaid reimbursement. It's difficult to see how a rate freeze in 2007-08 won't result in additional facility closures and the resultant access problems for those in need of nursing home care.

WAHSA has projected the impact on facilities of a July 1, 2007 – June 30, 2008 nursing home reimbursement formula if 2007 SB 40 fails to provide funds for a MA rate increase in 2007-08. Without nursing home MA rate increase funding in 2007-08, the only adjustments to the 2007-08 nursing home formula will be in the areas of labor cost regional variations and the share of their own care costs that MA nursing home residents will be required to pay. ***Our analysis, which has not been challenged by the Department of Health and Family Services, finds that 72.6% of the 390 Medicaid-certified nursing homes in Wisconsin either will have their MA reimbursement rates frozen (161 of the 390 facilities, or 41.3%) or cut (122 of the 390 facilities, or 31.3%) in 2007-08 without a MA appropriations increase for nursing homes in the first year of the 2007-09 biennium.*** None of the 107 facilities (27.4% of the total) that



would be fortunate enough to receive a rate increase would see an increase in excess of 2% in 2007-08. ***The largest rate cuts will be experienced by the 65 facilities in the Milwaukee-Waukesha-Ozaukee-Washington Counties area, the area of the state where access to nursing home care is becoming a major concern. The 2007-08 nursing home formula also anticipates a rate freeze for the 161 rural nursing facilities.***

Nursing home providers requested a GRP-funded MA rate increase of 5% in each year of the biennium when SB 40 was introduced, with a return to the MA Trust Fund of the \$13.8 million in bed tax revenues that have been diverted to the general fund. At that time, we listed the following as potential consequences if nursing homes failed to receive an adequate MA rate increase: 1) Additional facility closures (which already have begun); 2) Lower-than-acceptable facility staffing levels; 3) Increased difficulties in recruiting and retaining needed caregivers; 4) An increase in the Medicaid rolls, with more nursing home private payors running out of their own funds sooner than they would otherwise; 5) An increase in the BadgerCare rolls as more facilities either drop their health insurance coverage or provide coverage that is cost-prohibitive to many of their staff; and 6) Increased access problems, especially in Milwaukee County. Any or all of these consequences will negatively impact resident care.

The failure to provide a Medicaid rate increase for nursing homes in 2007-08 only will exacerbate the potential negative consequences noted above. Please help us to avoid those negative consequences by providing nursing homes an adequate GPR-funded MA rate increase in each year of the 2007-09 biennium.

Thank you for your consideration of our concerns.

The Wisconsin Association of Homes and Services for the Aging (WAHSA) is a statewide membership organization of not-for-profit corporations principally serving the elderly and persons with a disability. WAHSA membership is comprised of 187 religious, fraternal, private and governmental organizations which own, operate, and/or sponsor 196 nursing homes (144 of those nursing homes are operated by private, not-for-profit organizations; 45 facilities are county-operated; and 7 nursing homes are municipally-operated), 20 facilities for the developmentally disabled (FDD), 81 community-based residential facilities (CBRF), 59 residential care apartment complexes (RCAC), 14 HUD Section 202 Supportive Housing for the Elderly apartment complexes, 113 apartment complexes for independent seniors, and over 300 community service programs ranging from Alzheimer's support, child and adult day care, hospice, and homecare to Meals on Wheels. In our nursing homes alone, WAHSA members employ over 30,000 individuals who provide compassionate care and service to over 20,000 residents.