

## Fact Sheet: Medicaid Underpayment for Resident Care

A comprehensive analysis of the nation's Medicaid nursing home payment systems ranked the Wisconsin system 6<sup>th</sup> worst in the country. The study, "A Report on Shortfalls in Medicaid Funding for Nursing Home Care" released in June 2006 by BDO Seidman, LLP, Accountants and Consultants, revealed that Medicaid payment deficits sustained by Wisconsin's nursing facilities are 64% higher than the national average.

The national report and ranking came as no surprise to the Wisconsin nursing home community. Indeed, the Wisconsin Medicaid program's own database of facility-specific cost and reimbursement information vividly illustrates the system's inadequacies. It reveals the following:

- Medicaid recipients (22,557 residents), including Family Care enrollees, comprise two-thirds of all residents served in Wisconsin nursing facilities (34,342 total residents). Source: DHFS *Wisconsin Nursing Homes and Residents, 2005* <http://dhfs.wisconsin.gov/provider/pdf/05nh&r.pdf>
- Labor costs represent approximately 73% of the total cost of providing care and treatment to nursing home residents.
- In the 2005-2006 payment year, the difference between the total cost of the care facilities provided their Medicaid residents and the Medicaid reimbursement they received for providing that care (i.e., the "Medicaid deficit") was \$232,017,314.
- Direct care costs, the costs to provide hands-on care to residents, represented \$181,744,863, or 78.3%, of the total costs Medicaid failed to reimburse in 2005-2006.
- Approximately 91% of the 377 nursing facilities in the state's database received a Medicaid payment in 2005-06 which failed to meet the cost of care they provided their Medicaid residents.
- Wisconsin nursing facilities on average lose \$29.06 per day for each Medicaid resident they serve. For the average Wisconsin nursing home, that results in an annual loss of \$620,023 to provide care to its Medicaid residents.
- As a result of the failure of the Medicaid program to pay the resident care costs for which it is responsible, private paying residents are compelled to pay rates that average \$56 per day higher than a facility's Medicaid payment rate (Average 2005-2006 Medicaid payment rate: \$126 per day). It is these private pay residents, who also are required to pay the \$75 per month nursing home bed tax (proposed to be increased to up to \$127/bed/month under Governor Doyle's 2007-09 biennial budget bill) who unfairly are being asked to subsidize this Medicaid underfunding.

