
MEDICAID CUTS: YEAR FIVE

*A Clear and Present Danger
for Virginia's Nursing Facilities*

Senate Finance Committee
Subcommittee on Health and Human Resources
January 30, 2012

Virginia Health Care Association

PROVIDING CARE AND ECONOMIC ACTIVITY

Virginia's 280+ nursing facilities provide hands-on care for over 28,000 residents every day and employ over 36,000 people. Nursing facilities often are among the largest employers in many Virginia towns and communities and **have an annual statewide payroll of approximately \$1.5 billion.** Overall, all long term care facilities, of which nursing facilities represent a vital component, along with their suppliers represent about 2% of Virginia's economy.

EQUAL ≠ FAIR

Across the board Medicaid cuts negatively impact nursing facilities more than other Medicaid providers. On average, the care for 61% of Virginia nursing facility residents is paid for by Medicaid – **a significantly higher Medicaid utilization rate than any other provider category.** Some nursing facilities have substantially higher Medicaid utilization rates making them extremely vulnerable to continued payment cuts.

MEDICAID PAYMENT CUTS

Due to **implemented budget cuts**, Medicaid rates paid to Virginia nursing facilities, and related cost ceilings, have not been adjusted to reflect anticipated increases in Medicaid allowable operating costs since state fiscal year 2008.

These **cuts total \$126.1 million over the four-year period with additional cuts totaling \$51.5 million proposed for SFY 2013.**

NOTHING LEFT TO CUT BUT JOBS

Labor related costs within nursing facilities represent about 63% of total operating costs.

In an effort to remain financially viable after five years of Medicaid payment cuts and having exhausted other options available to them, **Virginia's nursing facilities have cut over 1,500 jobs in the past two years.**

NO MARGIN, NO MISSION

Medicare payment for skilled nursing facility (SNF) care has provided the margin for nursing facilities over the past four years to help providers offset much of the Medicaid cuts and the resulting growing shortfall. However, as of October 1, 2011 **Medicare payment has been cut by 10.7%** **(\$88.1 million) for Virginia nursing facilities and significant additional cuts have been proposed and are now being considered.**

TIME TO LOOK ELSEWHERE

Between 2006 and 2012, **Medicaid expenditure growth for nursing facility care averaged a modest 3.1% annually** despite caring for sicker and sicker residents while the overall growth rate for the Medicaid program has been nearly 8% annually. **The Administration and the General Assembly must stop targeting additional reductions on nursing facilities – one of the most cost effective provider segments that make up Virginia’s Medicaid safety net.**

WE ALSO DELIVER VALUE

For FY 2009, of the \$148.73 average Medicaid per diem payment rate, approximately 19.5% (\$28.99) was obtained from resident resources, such as Social Security, leaving DMAS to fund the balance of \$119.74 per day with half of this amount funded by federal Medicaid matching funds leaving the Commonwealth with **a net funding requirement of only \$59.86 per day or about \$21,850 annually per resident.**