



CPSC Issue Brief: Funding Stability and Long Term Care Staffing, Quality

Rising Needs in Long Term Care

By 2050, an estimated 27 million Americans will require long term care – up more than 100 percent from the 13 million receiving long term care in 2000. Elderly Americans now comprise the fastest-growing segment of the U.S. population, and the first of the baby boom generation are set to hit retirement age in 2011.

According to the U.S. Department of Labor, between 5.7 million and 6.5 million trained nurses, nurse aides, and home health and personal care workers will be required by 2050 to accommodate the country's rapidly growing elderly population's care needs.

Our nation's skilled nursing facilities (SNFs) are uniquely poised to effectively deliver these essential care services by providing 24-hour skilled medical, rehabilitative, and therapeutic care services to patients on an inpatient basis, following an inpatient hospital stay of at least three days. Most SNF patients, in fact, are able to return to their homes and communities after a short course of medically complex care following a hospital discharge.

SNFs also play a distinct role by caring for a number of longer-term residents with chronic illnesses (such as Alzheimer's disease), who need help with activities of daily living such as eating, bathing and dressing.

The Need for Long Term Care Funding Stability

Nursing facilities were the second-largest employer in the health care industry in 2008, employing approximately 23 percent of all health care workers during that timeframe. The following year, nursing and residential care facilities were estimated to employ over 3 million people – including more than 500,000 health care practitioners and technicians, and more than 260,000 licensed practical and licensed vocational nurses.

Unfortunately, as the demand for long term care continues to rise, however, the nation's supply of skilled caregivers is shrinking. In addition, federal and state payment policies have delivered a number of severe funding cuts to long term care in recent years that further threaten staffing levels. These include:

Severe Medicare cuts:

- *Health care reform:* \$16.9 billion in Medicare cuts over 10 years from productivity adjustments/reductions in the market basket update starting in 2012
- *2010 regulation:* \$12.1 billion in Medicare cuts over 10 years from the forecast error adjustment

- *2011 regulations*: Estimated \$2.2 billion in Medicare cuts over 10 years from the 0.6 percent forecast error cut in the 2011 market basket update – plus an estimated 7-8 percent in cuts to Medicare Part B therapy payments to skilled nursing facilities in 2011

Chronic Medicaid underfunding:

Although 65 percent of nursing home residents rely upon Medicaid to cover their costs of care, the program is persistently funded far below the actual costs of caring for our nation's seniors. According to the Medicare Payment Advisory Commission's (MedPAC's) March 2007 Report to Congress: "... Medicaid's share of patients in a facility influenced the overall margin: The higher the share of Medicaid patient days in a facility, the lower its total margins."

In 2010, Medicaid shortfalls were estimated to be \$17.34 per patient per day – a funding disparity that has increased 22 percent since 2009, and 92 percent since 1999, according to an independent national study conducted by Eljay, LLP.

Following a temporary increase in Federal Medical Assistance Percentage (FMAP) funding, which was included in the American Recovery & Reinvestment Act (ARRA) and will expire on June 30, 2011, most state legislatures are now either freezing or cutting Medicaid payments to long term care to cope with the economic downturn.

Adequate Staffing Necessary for Quality Care

Labor constitutes approximately 70 percent of nursing facilities' operating expenditures. This covers employee compensation, benefits and other labor-related costs, and maintains the necessary levels of front-line caregivers who deliver round-the-clock services to residents.

With continued payment cuts and funding instability, facilities will be forced to cut jobs of these skilled caregivers and other staff contributing to residents' care outcomes and quality of life. Particularly as the demand for long term care services continues to rise, it is incumbent upon federal and state lawmakers to ensure the U.S. long term care workforce remains a vital and growing segment of care commensurate with the nation's increasing needs in this area.

Our Vision for Long Term Care Reform

As SNFs are treating increasing numbers of post-hospital elderly patients and experiencing a growing need for more complex care services, it is critical to ensure seniors are protected, care quality improvements are sustained, key staff jobs are preserved and operating needs are met through adequate Medicaid and Medicare reimbursement.

Making the appropriate investment in Medicare and Medicaid can help reduce the number and frequency of hospital admissions by improving residents' health and by supporting SNFs' capabilities to successfully treat more complex medical conditions. Without adequate funding support, the frontline long term care workforce will continue to struggle to care for some of our most vulnerable citizens.

The Coalition to Protect Senior Care welcomes the opportunity to work with Congress and the Administration to achieve continued quality improvements, ensure patient access to quality long term care and post-acute care, achieve the most efficient use of our nation's health care resources, and sustain and create frontline caregiver jobs in communities across the country – jobs that make a real difference in the lives of America's seniors.