

Restore the Medicare Cuts to Skilled Nursing Care for America's Frail and Elderly

Issue

Access to high quality skilled nursing care for America's seniors remains seriously threatened because Congress did not act to reverse Medicare cuts that took effect October 1, 2002. On that date, the so-called "Medicare cliff," Medicare payments for skilled nursing care were cut by approximately \$35 (10 percent) per patient day, or \$1.8 billion each year.

Quality and availability of SNF care will be threatened, and the nation will be forced to deal with the possible collapse of an entire essential sector of health care – a sector that cares for nearly 2 million SNF Medicare beneficiaries annually if these cuts are allowed to stay in place.

Background

In 1998, the then Health Care Financing Administration implemented a new Medicare prospective payment system (PPS) for skilled nursing facilities (SNFs), as mandated in the 1997 Balanced Budget Act. Flawed implementation of the new system resulted in cuts almost twice as deep as Congress intended. These cuts reduced access to SNF care and severely constrained the availability of capital, which had a significant and negative impact on the nearly two million Medicare beneficiaries requiring SNF care annually.

Studies showed that Medicare beneficiaries experienced difficulties in finding and receiving skilled nursing care while, simultaneously, access to capital dried up, preventing SNFs from refurbishing aging facilities, financing high-tech equipment purchases, and funding labor costs – already at record highs.

Congress temporarily restored funding through Balanced Budget Refinement Act and the Beneficiary Improvement and Protection Act. The relief provisions included the following:

- 4 percent payment add-ons across all patient categories to cover Medicaid payment shortfalls and adjust for the overall inadequacy of the resource utilization group (RUG) system (BBRA)
- 16.66 percent add-ons for nursing-related costs (BIPA)
- 6.7 percent add-ons for patients requiring intense rehabilitation (BIPA) and 20 percent add-ons for patients requiring complex medical care (BBRA/BIPA)

These temporary add-ons helped restore beneficiary access to SNF care, improve quality, revive capital markets, and stabilize SNFs generally. In fact, a recent survey of nursing staff vacancies and turnover rates showed the positive impact of BBRA and BIPA on the challenged SNF workforce. The survey showed that while vacancies remain close to 100,000, there were improvements in reduced turnover and better recruitment.

Recently, the Bush Administration announced that it would delay through 2004 the implementation of "refinements" to the patient classification system that determines daily Medicare payments for SNF care. The delay allowed the 6.7 percent and 20 percent add-ons for patients requiring complex care to continue. Although welcomed by patients and caregivers, this temporary delay portends another "cliff" that will occur October 1, 2004. This second "cliff" would further threaten patient care. It is critical that when CMS prepares to make a refinement that it is done in a budget neutral fashion to prevent a second "cliff."

AHCA Proposal

Congress must stabilize the skilled nursing sector to ensure Medicare beneficiaries retain access to high quality, life-saving and life-enhancing care by immediately doing the following:

AHCA supports HR 967, the Medicare Beneficiary Skilled Nursing Protection Act, legislation introduced by Reps. Shelley Moore Capito (R-WV) and Tom Allen (D-ME) that would extend the now-expired add-ons through Sept. 30, 2006.

Action

House members should cosponsor the Medicare Beneficiary Skilled Nursing Protection Act of 2003 -- H.R. 967.

Urge the Center for Medicare and Medicaid Services (CMS) to maintain the 6.7 percent add-ons for patients requiring intense rehabilitation and 20 percent add-on for patients requiring complex medical care until an appropriate refinement can be made to the system and until the current Medicaid crisis is resolved.

Oppose the Administration's proposed new Medicare cut to skilled nursing care through the reduction of allowable bad debt by 30%. This cut would total, at a minimum, one-quarter billion dollars per year (approximately \$5 per patient day). This cut cannot be absorbed.

Oppose the Administration's proposed reductions in the annual rate update factor (the SNF market basket). The current update factor is already understated in terms of keeping up with increases in costs to labor and technology improvements. Reducing or eliminating the update will further destabilize the skilled nursing profession.

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