MASSACHUSETTS
SENIOR CARE
ASSOCIATION

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David Seltz
Massachusetts Health Policy Commission
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David Seltz:

On behalf of the Massachusetts Senior Care Association, representing approximately 400 nursing facilities employing and caring for more than 200,000 individuals, we thank you for the opportunity to submit written comments regarding the Health Policy Commission's potential modification of the 2018 health care cost growth benchmark.

We commend the Commission for its commitment to working with providers, consumers and all stakeholders to control the growth of health care spending in the Commonwealth. As highlighted below, we want to emphasize that the nursing facility provider community is **not** the cause of escalating health care expenditures in the Commonwealth. Based on nursing facility cost report data for 2011-2014, the annual per cent cost change for nursing facilities is considerably below the current benchmark of 3.1%.

Nursing Facility Annual % Cost Increase, CY 2011-CY 2014

CY	Annual % Cost Change WITH User Fee
CY2014	1.3%
CY 2013	1.3%
CY 2012	-0.2%
CY 2011	1.6%

Below we provide some additional background information on the nursing facility provider community.

The Commonwealth's 416 nursing facilities are committed to providing quality care to individuals who can no longer live safely in the community or are in need of short-term rehabilitation before returning home after a medically complex hospital stay. We care for approximately 150,000 individuals each year and more than half return home within a few weeks. **Our long-term care residents** are frail, mostly dependent on assistance with all aspects of daily living and have a very high medical acuity. The typical resident is female, age 86, has multiple illnesses (including dementia) and lived alone prior to entering a nursing facility. **Our short-term patients** are younger and admitted directly from

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Representing Massachusetts' nursing facilities and other organizations that provide health care and community for older adults and people with disabilities.

the hospital following a surgical procedure or other type of medical intervention. These patients, who have their care paid for primarily by Medicare, receive intensive skilled nursing and rehabilitation services before returning home within a few weeks.

The vast majority of long term nursing home residents (over two thirds) have their care paid for by the state Medicaid program. As a result of the "Great Recession" and competing state budget priorities, there has been little state investment in nursing home care in nearly a decade. During this same time, the operating costs, of which labor wages and benefits constitute over 70%, have increased. This has resulted in a record-high $37 a day gap between the cost of providing quality care and Medicaid payments. This translates into an average annual loss of about $900,000 per facility for a total of about $370 million for the entire provider community – making the Commonwealth the 4th worst in the nation for the highest gap between the cost of quality nursing home care and Medicaid reimbursement.

Nursing facilities have worked diligently for years to offset Medicaid losses by being extremely efficient and by cross-subsidizing Medicaid shortfalls with payments from Medicare and Private Pay, which better reflect the cost of care. However, it is important to recognize that recent changes in Medicare reimbursement, including application of strict utilization controls by HMOs and now ACOs, in combination with Medicare rate reductions, have resulted in a significant decline in Medicare reimbursement. More directly put, the state needs to more adequately fund Medicaid because Medicare payments can no longer shoulder Medicaid underfunding.

Using state data from annual nursing facility cost reports, Mass Senior Care Association has documented the financial viability of the Commonwealth's nursing homes looking at Medicaid, Medicare and overall operating margins. We are extremely concerned that the recent trends indicate a provider community that is at great risk. At best the data is alarming and at worst it is catastrophic.

- Specifically, increasing costs of delivering care, and years of a Medicaid rate freeze have contributed to a **negative 16%** Medicaid margin for nursing facilities in 2016 - the worst, since the program's inception. Again, we want to emphasize that over 2/3 of our residents have their care paid for by Medicaid. Given our high proportion of Medicaid residents, the adequacy of Medicaid payment is critical. In short, nursing facilities are uniquely dependent upon state funding to invest in quality care and staff.

- Medicare margins, which have subsidized inadequate Medicaid payment, while still positive, have declined over the last few years. We anticipate that this downward trend in Medicare margins will continue due to rigorous utilization and payment control by Medicare managed care payers, including Pioneer ACOs.

- As a result of negative Medicaid margins and declining Medicare margins, almost half of the Commonwealth's nursing facilities have negative margins. For the entire provider community, the combined margin is just four tenths of one percent on reported revenue of $3.7 billion. It is worth noting that facilities with greater Medicaid dependency have greater losses.

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We are also very concerned about the relationship of Medicaid reimbursement and the ability of nursing facilities to provide high quality care to frail elders and disabled individuals who no longer can remain at home. Our analysis strongly suggests that inadequate Medicaid reimbursement rates are negatively impacting quality care and resident satisfaction. Specifically, the data show a strong link between state Medicaid funding and a facility's ability to invest in staff and provide the best quality patient care, with the most Medicaid-dependent facilities scoring the lowest in terms of quality for staffing hours, overall CMS Five-Star Quality Rating and Department of Public Health consumer satisfaction. We encourage the Health Policy Commission to independently examine the link between Medicaid funding and overall quality of care, in an effort to ensure that the Commonwealth meets its obligations to low-income elders and disabled individuals.

Sincerely,

Tara Gregorio
President