

Fact Sheet: Scope & Impact of Medicaid Payment Shortfalls in Wisconsin

This year the integrity and depth of the state's moral responsibility and commitment to serving the needs of its most frail and vulnerable citizens will be tested as the Wisconsin legislature confronts the largest budget deficit in state history.

As legislators focus on the effort of closing the deficit, it is imperative they not lose sight that the quality of life of over a quarter- million citizens will be directly impacted and permanently defined by the action they take with respect to funding of care provided in Wisconsin's long term care facilities. The well-documented financial fragility of these facilities, the ever-escalating care needs of the 58,000 residents they annually serve, and personal economic needs of their 51,000 dedicated employees cannot be ignored.

WHCA/WiCAL and its membership understand the reality and severity of the state's financial condition. But the legislature and public must also recognize that residents' complex medical conditions and the fundamental needs of those who provide care in our facilities cannot be adjusted or compromised to accommodate fluctuations in the state's financial climate. Indeed, a facility's professional and legal responsibility to meet resident needs and regulatory expectations is well defined, inflexible, rigorously monitored and strictly enforced.

Likewise, as the predominate source of payment for resident care in this state - Wisconsin's Medical Assistance Program - has a continuing responsibility to the public and its enrollees to assure facilities are afforded a level of reimbursement that permit them to meet resident needs and regulatory expectations. By any and all measure, it has failed to meet that responsibility.

In October, 2008 a comprehensive analysis of the country's Medicaid nursing home payment systems ranked Wisconsin as the worst in the nation. The independent national study, "A Report on Shortfalls in Medicaid Funding for Nursing Home Care," revealed that the disparity between costs and Medicaid payments for care in Wisconsin are the largest in the country. The Medicaid per patient day losses experienced by Wisconsin facilities (\$26.43) are more than double the national average (\$12.48).

This "first worst" ranking came as no surprise to Wisconsin's long term care community. Indeed, the resident care cost and payment database maintained by the Department of Health Services vividly portrays the glaring inadequacies of the state's Medicaid payment system.

- Two-thirds of the 33,047 residents receiving care in Wisconsin's 400+ nursing facilities are dependent on Medicaid as the source of payment for the care they require and receive.
- Medicare is the source of payment for 11% of residents; private payers represent just 23% of the nursing home resident census.
- Labor costs account for 73% of the total cost of nursing home resident care and services.
- In the 2007-2008 payment year, the disparity between the costs nursing homes provided their residents and Medicaid payment for that care was more than \$282 million.

- The hands-on nursing services residents required and received in 2007-2008 accounted for \$163,502,104 (58%) of total costs that were not reimbursed under Medicaid.
- Currently, less than 5% of the state's nursing facilities receive a Medicaid payment rate that meets the cost they incur in caring for their Medicaid residents.
- Wisconsin's nursing facilities on average lose \$37.65 per day for each Medicaid resident they serve. As a result, an average Wisconsin facility will sustain an annual loss of \$751,873 in providing the care its residents who are Medicaid recipients require and receive.

As an unjust but unavoidable consequence of Medicaid's chronic failure to pay its fair share of resident care costs, private paying residents and their families are compelled to pay rates that average nearly \$70 per day more than the facilities Medicaid payment rates. This "hidden," but mammoth, tax Medicaid imposes on private pay individuals increases each year the program fails to recognize and reimburse facilities' inflationary cost increases.

In 2007, Wisconsin nursing facilities provided each of its residents an average of 3.57 hours of nursing per day. The maximum level of payment allowed under the state's Medicaid payment system will fund only 2.83 hours of nursing services per day.

In December 2008, CMS unveiled its congressionally mandated Five-Star Quality Rating System which individually assessed and ranked (One to Five Stars) the nation's homes on the basis of their staffing. Under CMS staffing standards, the 2.83 hour maximum staffing afforded through Wisconsin's Medicaid program would rate the lowest possible one-star rating and be labeled "Much Below Average."

There is not a nursing home, consumer, resident family member or public official in this state who does not fervently advocate for improvement in the quality of care for nursing home residents, or for the need for increased staffing, wages, and benefits for the dedicated caregivers who serve those residents. However, this deeply felt public passion has not been matched with a commitment of public funding that is essential to achieving those ends.