



## ISSUE PAPER

### AB75: Medicaid Funding and Bed Tax Increases

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**Background:** Governor Doyle's proposed 2009-2011 state budget (Assembly Bill 75) seeks a 2% Medicaid funding increase for nursing facilities in each year of the forthcoming biennium. The increases would be funded with a portion of the federal matching funds derived from respective increases of \$75 and \$95 in the current nursing home bed tax (\$75 per licensed bed per month.) The proposed increases would place the bed tax at \$150 in FY10 and \$170 the following year.

Just \$25, or one-third, of the \$75 bed tax increase the Governor has proposed in FY10 will be utilized to support the \$15.9 million — 2% — nursing home funding increase in FY10. Federal funds generated by the remaining \$50 of the bed tax increase would be used to fund Medicaid base expenditures. Indeed, 68% (\$34 million) of the federal funds generated by the doubling of the bed tax would be employed to close the state's budget deficit.

To provide a 2% funding increase to nursing homes in FY11 Assembly Bill 75 includes a \$95 increase, with \$32,235,416 (51%) of the federal matching funds generated by the tax revenues again being utilized to fund Medicaid base expenditures.

**WHCA/WiCAL Position:** WHCA/WiCAL opposes the level of the nursing home bed tax and Medicaid funding increases proposed within AB75. WHCA supports increasing the current nursing home bed assessment to generate a level of federal Medicaid matching funds, which will be sufficient and exclusively utilized, to support a 2.9% funding increase for nursing homes in each year of the next biennium.

The bed tax and funding increases envisioned in WHCA's position would (1) provide a level of funding that keeps pace with inflation; (2) prevent further expansion of the \$282 million in Medicaid losses that nursing homes incur due to the disparity between resident care costs and Medicaid payment; and (3) reduce the unjust financial subsidy private pay residents would shoulder in the absence of a rate increase that meets projected inflation.

**Rationale:** Currently the annual differential between the costs of care Wisconsin nursing homes provide their residents and the Medicaid payment they receive for that care is \$282 million annually. This gross disparity between cost and payment is the largest in the nation — more than twice the national average.

Disturbingly, under AB75, the vast majority of federal matching funds Wisconsin will derive from the proposed increases in the bed tax will be applied toward addressing the state's budget deficit rather than supporting critically needed increases essential to addressing resident care, quality and caregiver needs.

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The 2% level of funding AB75 embraces is unacceptable. It falls more than \$21 million short of what is required to keep pace with inflationary projections of 2.9% (Source: CMS SNF Market Basket Price Index). This inflationary shortfall will cause Wisconsin nursing homes even greater losses in serving their Medicaid resident population. Multiplying those losses will only further compromise their already-restricted ability to maintain quality, meet state/federal regulatory expectations, and support the fundamental needs of both staff and residents in Wisconsin nursing facilities.

Both WHCA and its membership understand the reality and severity of the state's financial condition. However, the legislature and public must understand 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.

As elected officials focus on the difficult effort of closing the budget deficit, it is imperative they not lose sight that the quality of life of more than a quarter-million citizens will be directly impacted and permanently defined by the action they take with respect to funding Wisconsin's long term care facilities. The well-documented financial fragility of these facilities, the ever-escalating care needs of the residents they serve, and personal economic needs of the line staff of the long term care profession cannot be ignored.

**WHCA**

Wisconsin Health Care Association

**WiCAL**

Wisconsin Center for Assisted Living

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