

**WRITTEN STATEMENT**  
**Of**  
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**For the Medicaid Commission**  
*"Serving the Elderly"*

**May 17, 2006**

I would like to thank Secretary Leavitt and the Bush Administration for their thorough commitment to reforming Medicaid, and for holding Medicaid Commission hearings throughout the nation as a means of seeking input and guidance from a variety of perspectives.

We appreciate the opportunity to be in Dallas to hear from Governors Sundquist and King, and to outline our views on an integrated approach towards comprehensive Medicaid reform.

AHCA/NCAL represents more than 10,000 non-profit and proprietary facilities. Our members are dedicated to continuously improving the quality of the professional, compassionate care provided daily by millions of caring employees to more than 1.5 million of our nation's frail, elderly, and disabled citizens residing in our nation's nursing homes, assisted living residences, subacute centers, and homes for persons with mental retardation and developmental disabilities.

As we work together toward achieving long term Medicaid reform, we cannot ignore Medicaid's chronic structural problems threatening seniors' current and future care needs, and that place their well being at risk.

The reality is that we are experiencing an incremental, steady squeeze on state and federal Medicaid budgets. The growing disparity between the rising cost of providing care and actual government reimbursement levels threatens the ability to sustain the nursing home care quality gains achieved through the Nursing Home Quality Initiative (NHQI) and our profession's Quality First program.

Together, we are making a difference. Quality of care is improving, increased disclosure of facility performance is occurring, and improved outcomes are the result.

However, I must say at the outset we are concerned about federal efforts to significantly reduce states' ability to utilize provider taxes and inter-governmental transfers as revenue sources. We are encouraged that more than 80 Republican Members of Congress have signed a letter to Secretary Leavitt opposing these measures.

These Members of Congress know as do we that reducing funding without replacing or at least identifying alternate revenue sources will undoubtedly harm our nation's most vulnerable elderly and disabled citizens in need of high quality facility care.

So, it is more important than ever to pursue transitional funding strategies – as well as the broader structural Medicaid financing reforms we will be discussing today.

The national accounting firm, BDO Seidman, undertakes an annual study to measure the shortfall between Medicaid reimbursement to nursing home providers and the state's allowable nursing home costs. The soon-to-be-released update projects that in 2006, Medicaid will under fund the cost of providing nursing home care by an average of \$13.30 per patient day – meaning that states are paying providers \$13.30 less than the actual cost of providing quality care for each patient each and every day.

BDO Seidman's findings reflect what facilities throughout the nation must cope with on a daily basis – an operational reality that cannot be ignored and a shortfall that impacts our ability to sustain our quality improvement efforts.

Until broader reforms that support and protect individuals who plan for their own long term care needs through private insurance and other means are implemented, we have a moral obligation to preserve the current Medicaid program as a safety net program for those who truly need it. We cannot and will not shy away from this basic, fundamental public policy objective and social responsibility.

As we work together to develop recommendations for change, we would like to offer our broad recommendations to reform Medicaid – designed to transform the long term care system itself. Moving forward, we believe there are certain fundamental principles any new system must meet:

**First**, publicly and privately financed long term care and related supports and services must meet consumer and family needs, and respond to their preferences. We believe reform must ensure every eligible individual who needs long term care services receives them in a timely manner, in an appropriate setting, taking into account individual preferences and clinical needs.

**Second**, long term care policies should promote and integrate a comprehensive array of public and private long term care financing options. We must begin to fundamentally shift the role of government – from government simply paying for long term care to government helping and encouraging individuals save to meet these needs. Yet, we must be cognizant that the Medicaid program should, and will, always serve as a safety net program for the poor.

**Third**, there must be a sufficient investment in federal and state governmental infrastructure so as to ensure long term care delivery systems provide an adequate array of services administered by knowledgeable providers – who are committed to quality – across the entire long term care spectrum. Where infrastructure is needed, it must be funded and built to meet the consumer's desire for a modern long term care system that affords choice, and fosters a stable operating environment in which to provide and sustain quality care.

**Fourth**, as government works to expand home and community-based services (HCBS), it is imperative policy makers take into account that a nursing facility or an intermediate care facility for people with mental retardation and developmental disabilities (ICF/MR) may always be the most appropriate setting to meet the complex needs of certain patients.

AHCA/NCAL supports individuals being able to receive necessary long term care services in the most appropriate setting, but we are concerned that efforts to ostensibly “save” money may actually drain essential funds away from nursing homes or ICFs/MR. Rising HCBS costs and care quality concerns must be consistently monitored and evaluated – so that seniors always receive the highest quality care, and so taxpayers may fairly assess care quality in relation to care costs. The watchword for every care setting must always be “accountability.”

**Fifth**, as state and federal policymakers seek to deliver long term care services using a managed care structure, they must recognize that long term care and acute care providers deliver services distinctly different from one another. A one-size-fits-all policy and operational approach will ill-serve a senior population requiring increased levels of diversity in terms of services, therapies, and treatments.

Broad-based Medicaid reforms must effectively and efficiently address the distinctive needs of different populations, including: acute medical care for the poor; long term care for the elderly; continuing care for people with disabilities including developmental disabilities; and care for people with mental illness.

Mr. Secretary, it is increasingly clear Medicaid’s problems cannot be solved with one set of solutions. The Medicaid of today is attempting to fill many gaps resulting from enormous transitional forces now at work throughout our society – from economic changes that mean fewer workers receive health insurance through their jobs, and from changing family structures that mean aging parents are cared for in facilities rather than at home.

To help make positive progress in addressing the five points I have just outlined, we would like to offer several policy approaches to do so:

- Generate Congressional support for new federal and state tax incentives to encourage working-age citizens to purchase private long-term care insurance, and develop other creative ways to encourage citizens to plan and pay for their long term care needs. We must also undertake a considerable marketing effort to support and encourage states to participate in the recently expanded Long-Term Care Partnership program.
- To the greatest extent possible, foster the notion of personal responsibility in planning for one’s retirement needs. Specifically, we support making it easier to pay for long term care insurance, and to develop new ways in which to encourage citizens to take better advantage of reverse mortgage financing options allowing seniors to draw resources from their home equity – thereby providing alternatives to facility-based care.
- Support demonstration projects and experimental approaches to addressing long term care service delivery challenges. For example, in rural areas, long term care facilities are often the only healthcare provider in the community, and could serve as a hub or coordinator of all Medicaid-covered long term care services. A long term care service provider would be paid to manage an individual’s care services, and to secure the appropriate services and supports across the spectrum of care – including nursing home care, visiting nurses, attendant care, and rehabilitation services.
- Investigate separating the dually-eligible from Medicaid, and integrate these seniors into the Medicare program in order to achieve greater continuity and coordination of acute and long term care.

As we work to strengthen every Americans' future ability to prepare for their retirement, we urge this Commission to further investigate and address the issues and initiatives we have discussed today. Demographic realities require a change in policy and a transformation in thinking.

Thank you for the opportunity to testify today, and we look forward to working productively and cooperatively with this Commission to help strengthen every Americans' retirement security – today, tomorrow and in the decades to come.