

MEDICAID BUDGET - NURSING HOMES QUESTIONS & ANSWERS

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1. Why is occupancy down?

Changes in Medicare home health benefit, more assisted living facilities, health status.

2. Will occupancy continue to decline?

Demographics say no. The "old, old" – those over 85 years of age – are the segment of the population growing the fastest. This is also the population most likely to need nursing home care. At some point, those who are being cared for in assisted living will age and see a deterioration in health status, and some will begin to flow into the higher level of care – nursing homes. The big question is when.

3. How does declining occupancy affect costs?

Those with the fewest needs are being served in alternative settings. Those going into nursing homes are the sickest and most medically complex. They are more expensive to care for. Declining occupancy also means that the economies of scale are also declining. Fixed costs are spread over fewer residents.

4. What is the status of IGT?

Our expectation that the IGT program, if it continues at all, will be much smaller. An optimistic scenario would be that it might be sufficient to generate "at risk" payments at one-half their current level.

5. Nursing home IGT is funding the "base" of some programs.

There is currently about \$648,000 of nursing home IGT money funding the base nursing home rates. There is also about \$1,000,000 of nursing home IGT money funding the base in the community services program. This base funding for both programs is at risk.

6. Asset transfer look back legislation and insurance partnership legislation.

Any savings from these programs will be "long term." In the case of asset transfer look back, a federal waiver is required. We are likely to be well into the coming biennium before a waiver is approved and the program is operational. DPHHS has withdrawn its support of this program. In the case of the insurance partnership legislation, no savings will be seen until people in fact purchase insurance and also enter a nursing home. Purchase of insurance will not be feasible for those for whom nursing home placement is imminent. Typically, if it is not purchased by age 70, it becomes cost-prohibitive. The Medicaid redesign committee offered these proposals as long-term solutions.