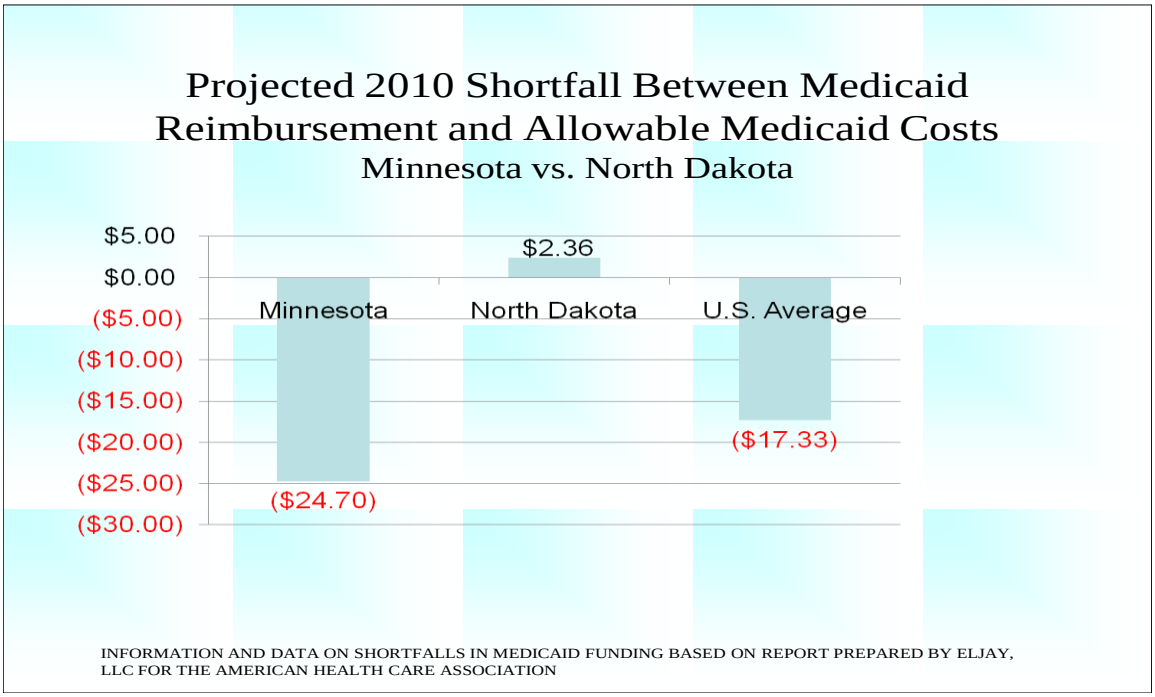
The Long-Term Care IMPERATIVE

A Minnesota Collaboration for Changes in Older Adult Services

Nursing Facility Rate Equalization

1. **Privately-paying individuals not covering full cost of care:** Currently the MA reimbursement rate for skilled nursing care falls below the actual cost of care by nearly $25 per resident per day. Given the proposed cuts to MA reimbursement rates, the gap between costs and rates will grow. Because of the equalization law, those individuals that pay for their care with private funds are also not required to cover the full cost of their care.



2. **Personal Responsibility Disincentive:** Equalization discourages saving for long-term care. The message to consumers has been clearly sent that regardless of payment source, the exact same care and services will be made available to you—encouraging the transfer of assets to family members and general spend-down of personal assets. Removing this disincentive is a step towards long-term care financing reform and can help spark additional collaborative efforts to identify incentives that the state could offer to encourage individuals to save for their own long-term care needs.

3. **Current law should reflect changing use of skilled nursing facilities:** Minnesotans use skilled nursing facilities differently today than when the rate equalization law first passed in 1976. For instance, in 1990, the average length of stay was 658 days; the median length of stay was 99 days. Today, the average length of stay is 268 day and the median length of stay is 28 days. While proponents

of the rate equalization law were concerned about slowing spend-down in the 1970s, today's trend towards shorter lengths of stay minimizes this concern because few residents stay long enough to qualify for Medicaid.

4. **Federal law now addresses Medicaid discrimination:** Proponents of the rate equalization law were also concerned about discrimination against Medicaid recipients. Since the establishment of the law in 1976, and the amendments in 1983, a series of federal laws have passed prohibiting discrimination by payer source. For example, the federal conditions of participation for nursing facilities states at 483.12 (c)(1) *"Equal Access to Quality Care: A facility must establish and maintain identical policies and practices regarding transfer, discharge, and the provision of services under the State plan for all individuals regardless of source of payment*;"

5. **Private pay consumers have little opportunity to customize services**: Services that are not included in the facility's MA rate are only available to consumers if the nursing facility offers the same services to all residents for the same charge. If a private paying individual desires to pay for extra services, the equalization law does not allow for that in many cases. A side effect of the requirement that providers charge the MA rate to everyone is that the ability for consumers to elect the services they want, and for providers to make them available, is considerably restricted.

6. **Rate equalization is phased out without fiscal impact to state budget:** There have been proposals introduced in the past that had negative fiscal impact based on the accelerated spend down. However, HF828 is designed to phase-out rate equalization in a budget neutral manner.