

Overview of Nursing Facility and Elderly Waiver/Assisted Living Funding in Minnesota

Health and Human Services Finance Committee
Minnesota House of Representatives
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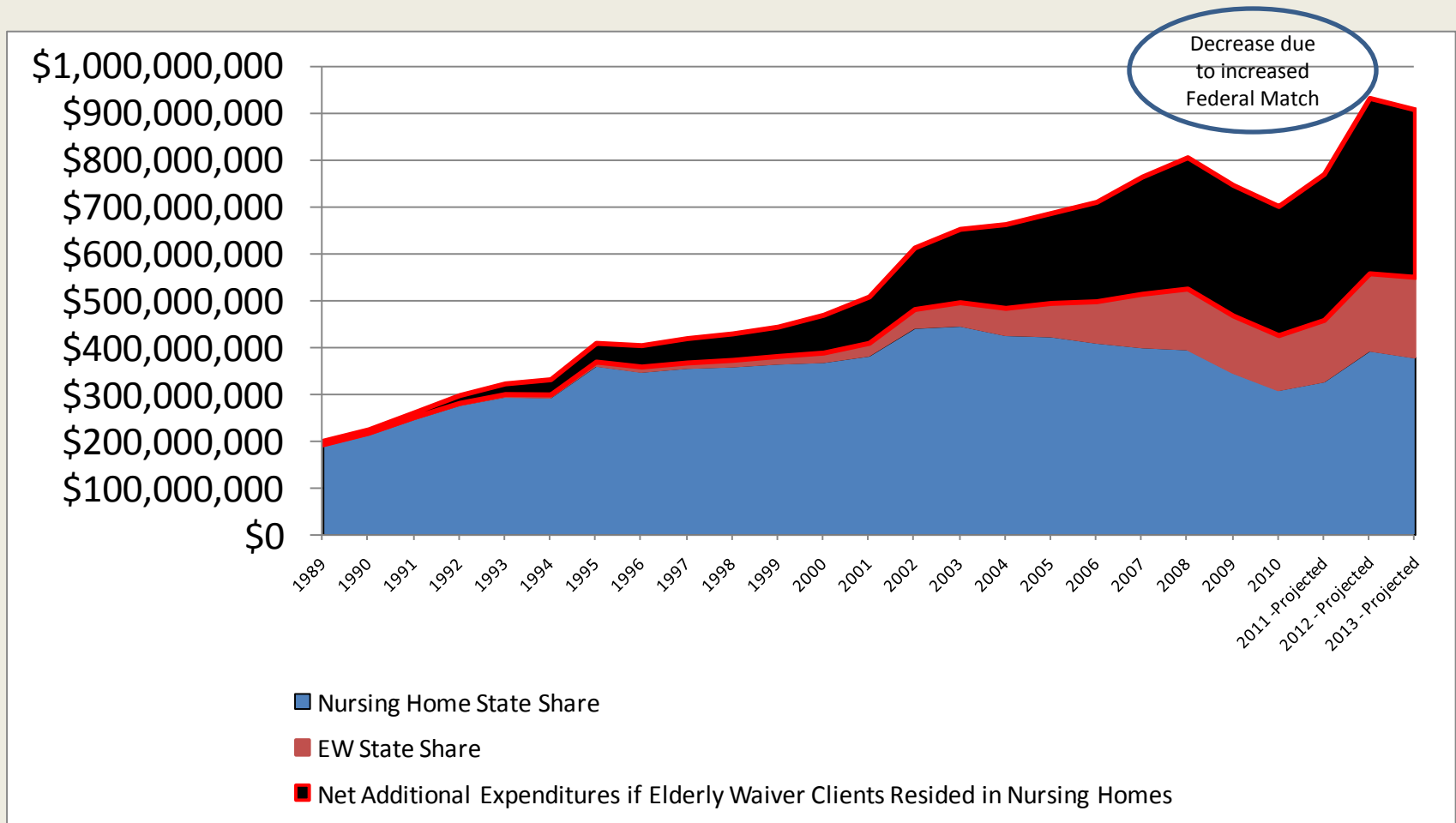
WHO WE ARE

The Long-Term Care Imperative is a collaboration of **Aging Services of Minnesota** and **Care Providers of Minnesota**, two of the state's largest long-term care associations.

The Long-Term Care Imperative is committed to advancing a shared vision and future for older adult housing, health care and supportive services.

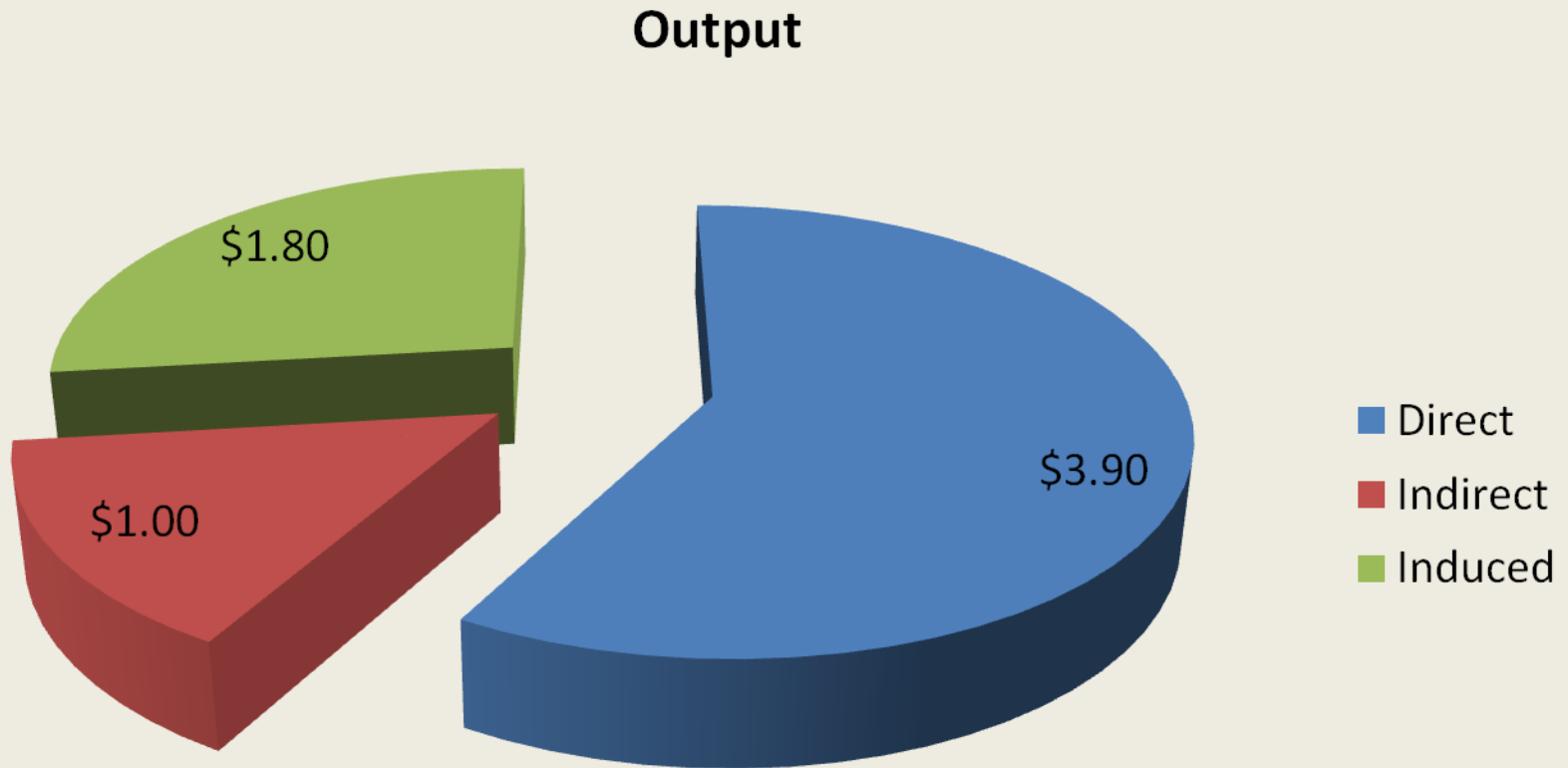
Nursing Home Costs Without The Elderly Waiver Program

Elderly Waiver Program Saved State Up To \$275 Million in 2010



Economic Impact of Long Term Care* Minnesota (in billions)

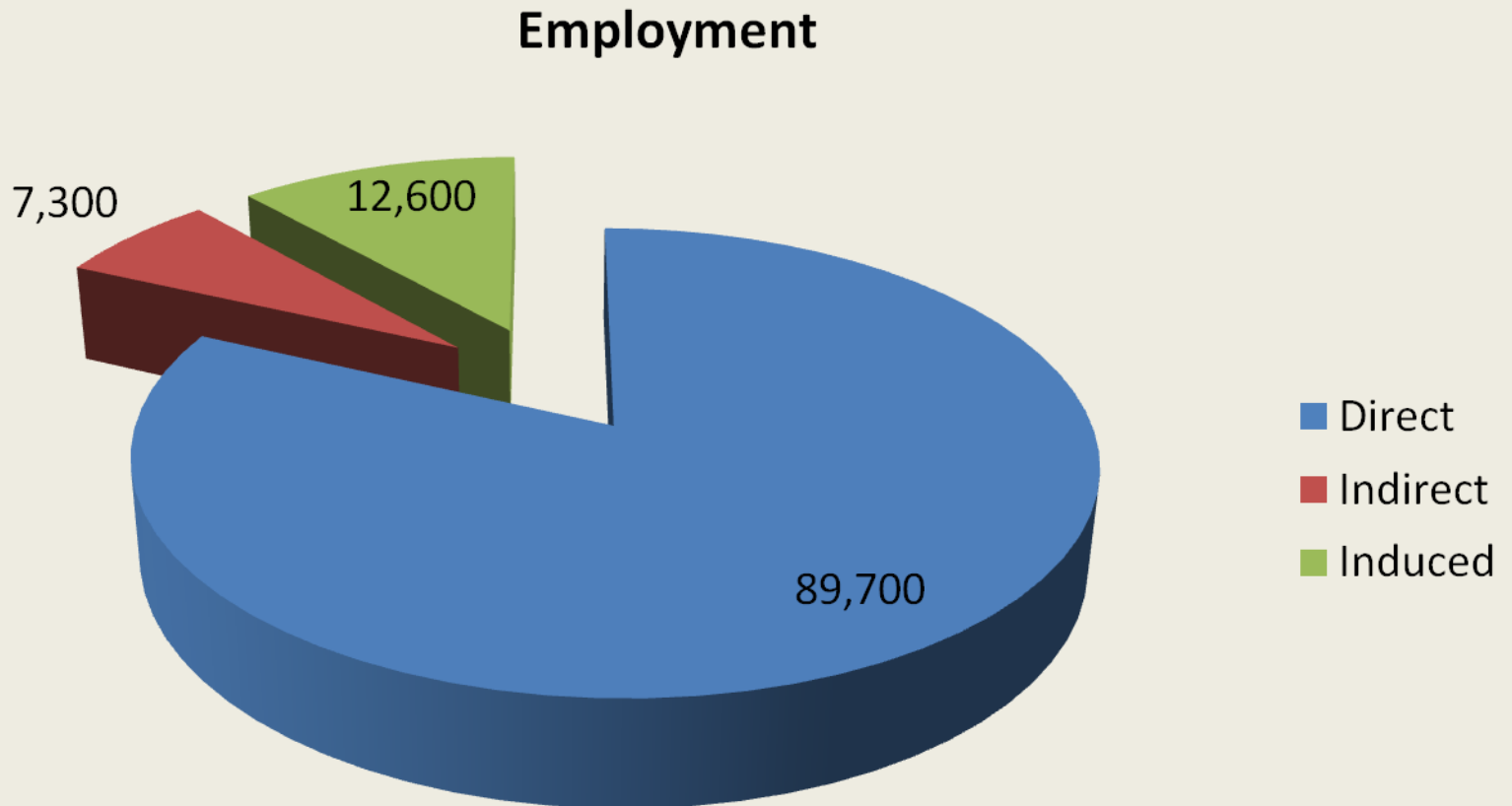
- The **total** economic impact of nursing facilities, assisted living, and other residential care facilities in the State of Minnesota is **more than \$6.7 billion annually**.



*Long Term Care (LTC) facilities include nursing homes, assisted living, and other residential care facilities. These facilities do not include government-owned or hospital-based facilities. Source: AHCA 2009

Employment Impact of Long Term Care* Minnesota

Nursing facilities, assisted living, and other residential care facilities directly support **more than 109,000 jobs**, including more than 89,700 health and social service jobs.



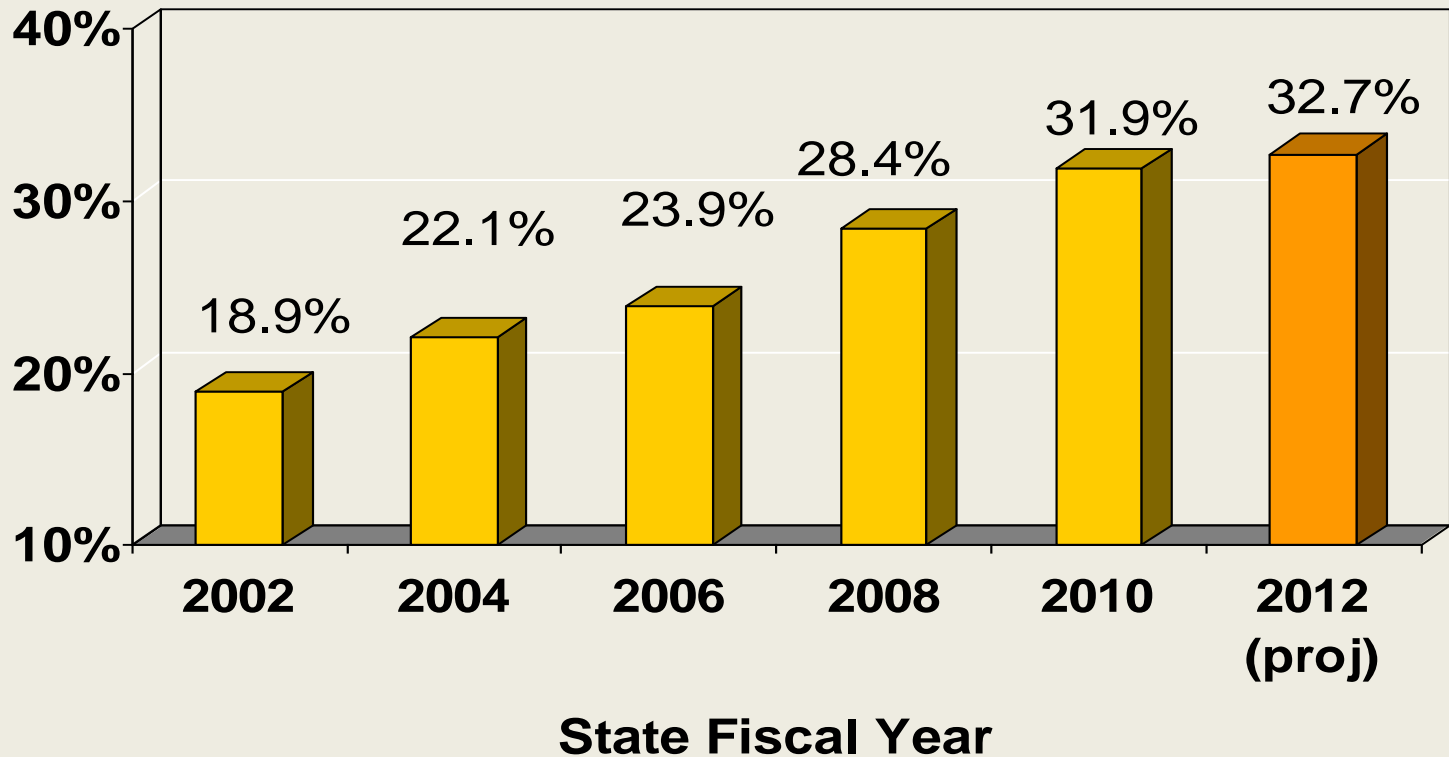
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Reform of Long-Term Care In Minnesota

- Key Points
 - Nursing Homes were the predominant provider of long-term care services in the 1960s, 1970s, and 1980s.
 - In response to the limitations of nursing facilities, the consumer demanded new options such as assisted living and home care.
 - The State of Minnesota followed the private market in the early 1990's by developing cost effective and consumer friendly programs like the Elderly Waiver.
 - These reforms have had tremendous success in providing consumer choice and reducing Medicaid costs.
 - The market and the state continue to rebalance services. In addition, the Legislature began reforming how nursing facilities are paid with the initial steps toward a new payment system starting in 2008.

State Spending Shifting to Community Alternatives

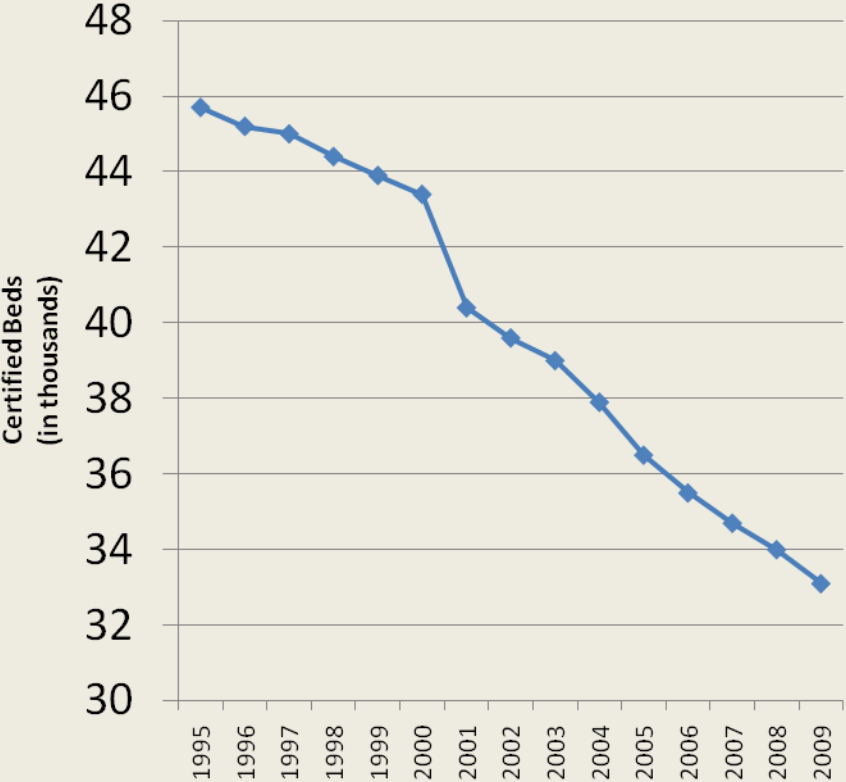
EW/AC Expenditures as a Percentage of all Elderly LTC Spending



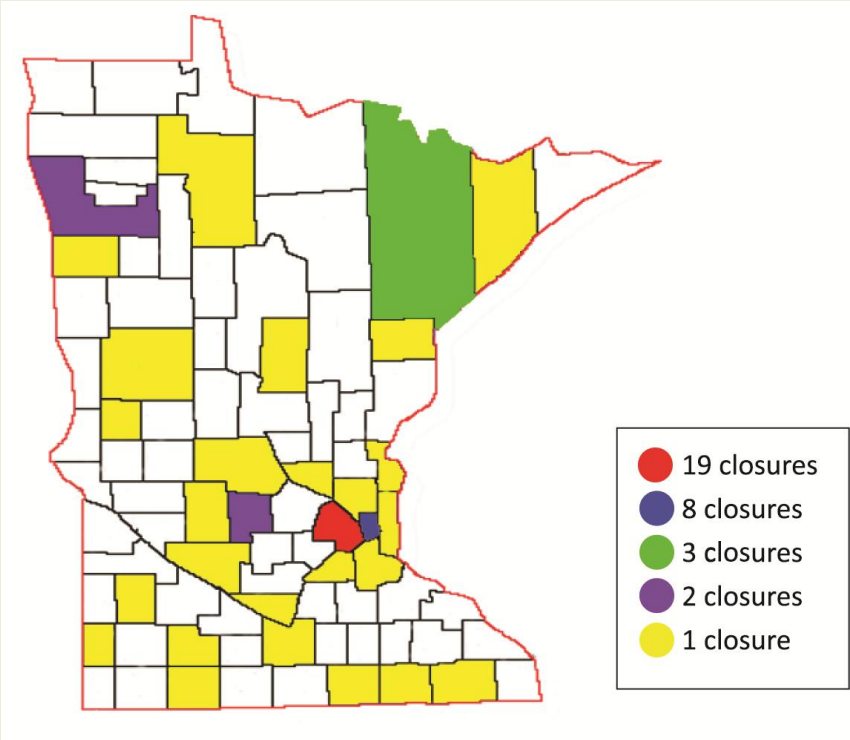
Source: DHS Spending Forecast November 2010

Decline in Nursing Home Capacity

Over 12,000 Beds Closed

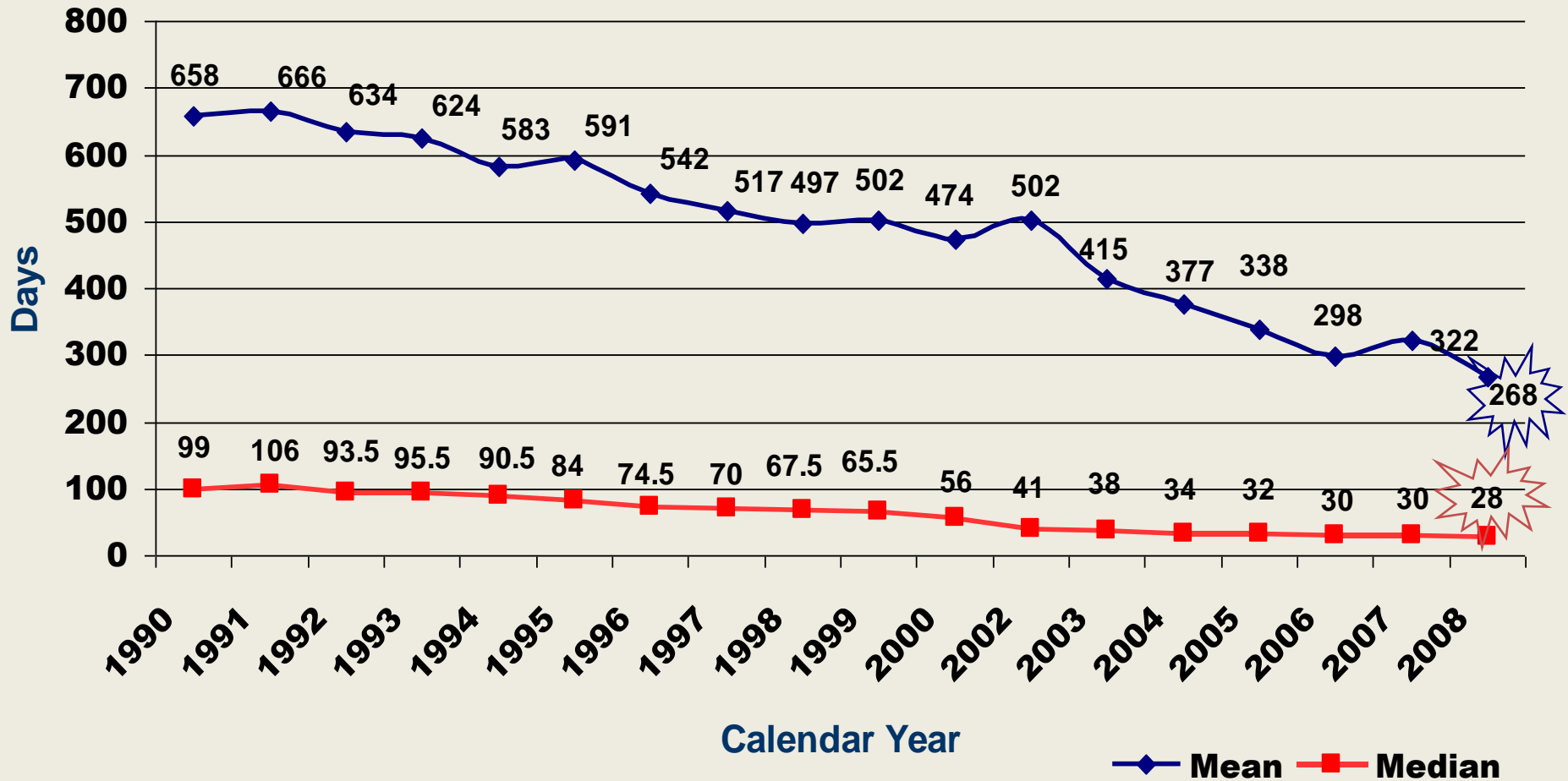


59 Nursing Homes Closed Since 2000



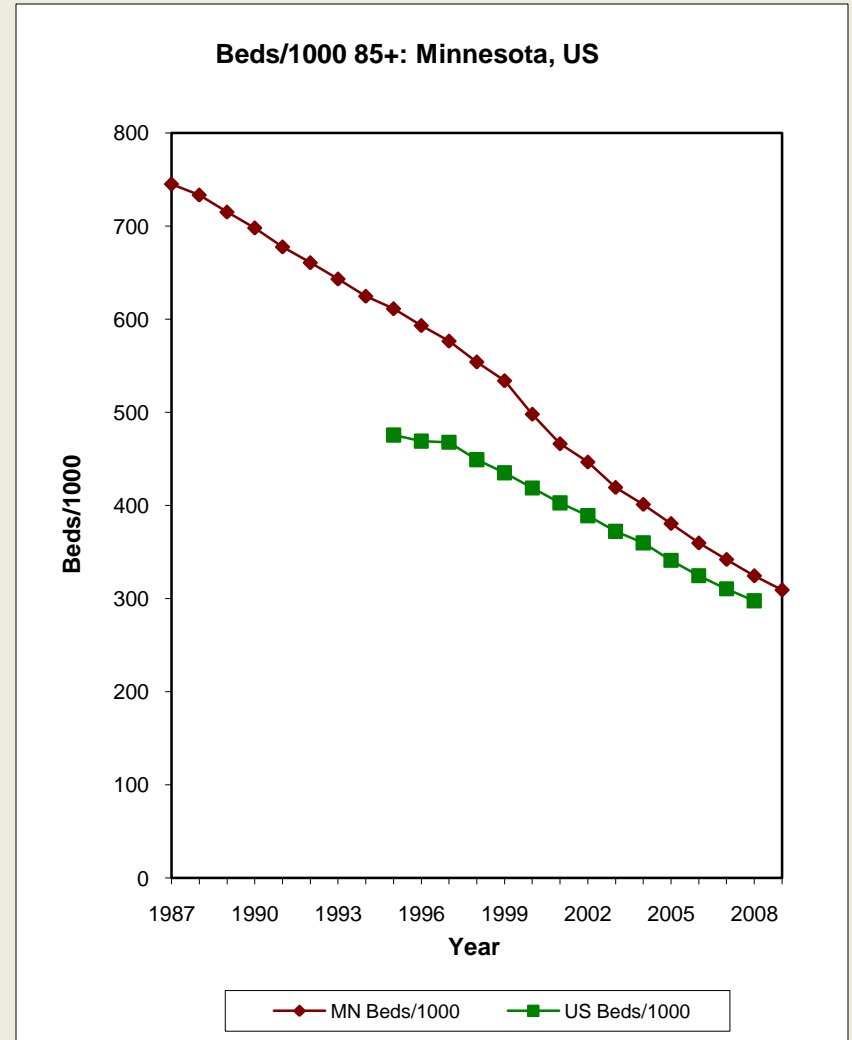
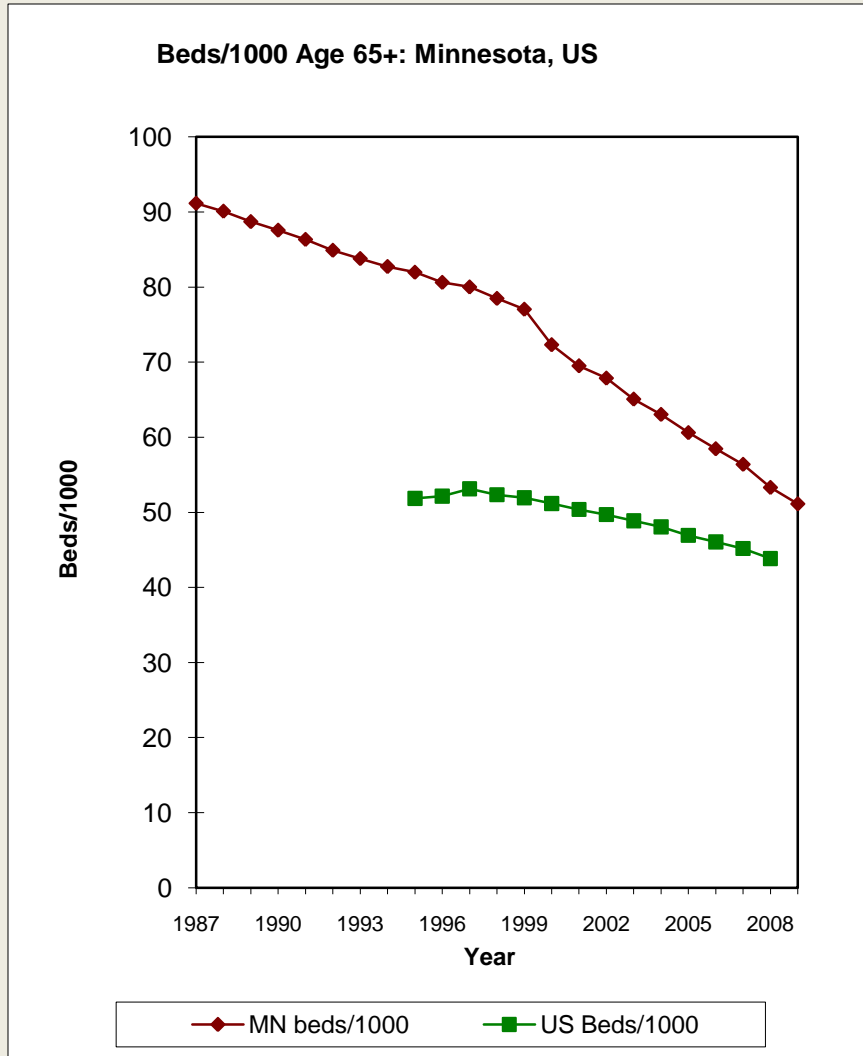
Source: Minnesota Department of Health

Decline in Nursing Facility Utilization



Source: Minnesota Department of Health

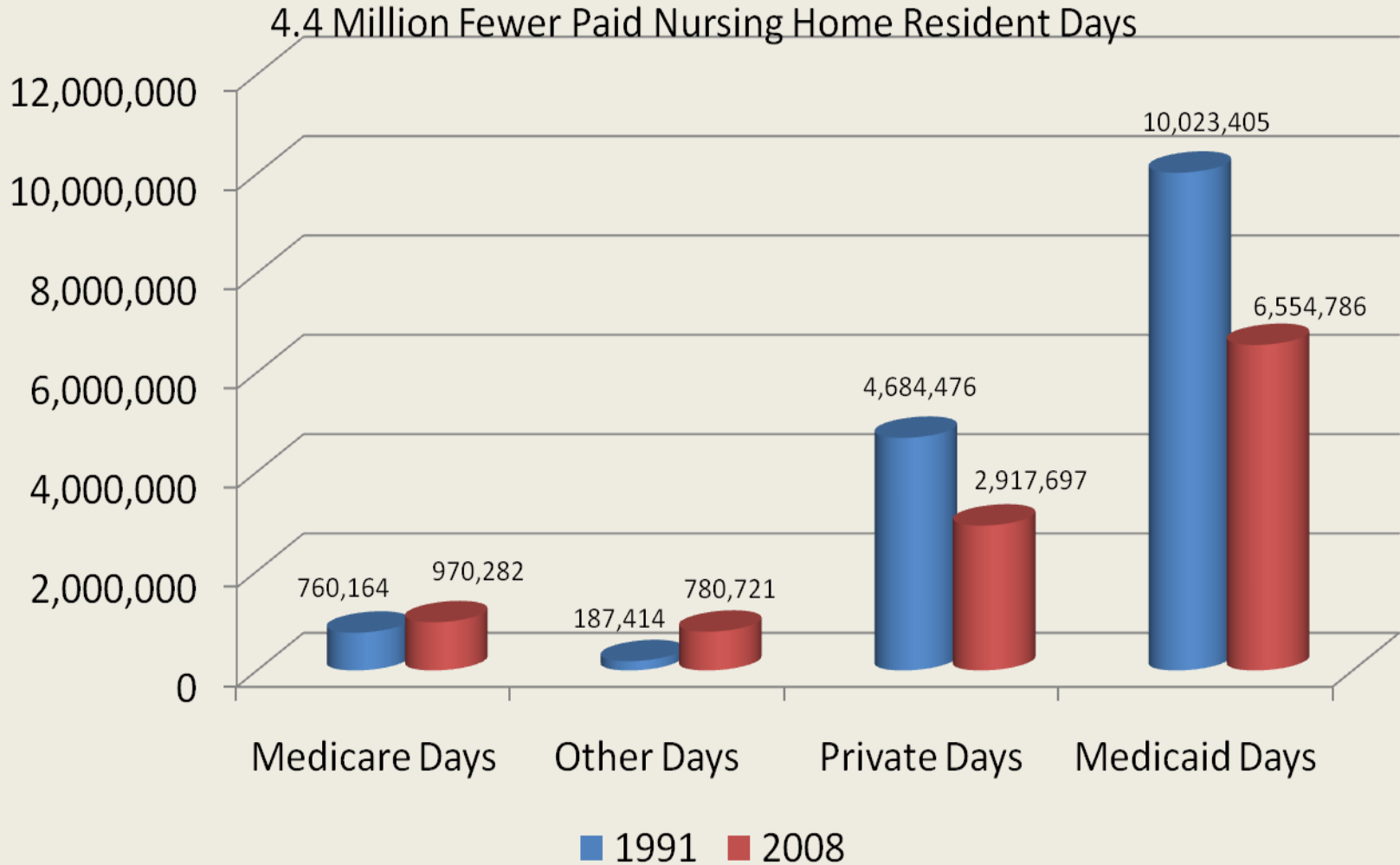
Minnesota Nursing Facility Bed Supply Near the National Average



Nursing Facility Sources of Payment

- Services for a client in a nursing home are paid by:
 - Medicaid (58% of all days)
 - Private Resources
 - Medicare (for rehab stays up to 100 days)
 - Other products like long-term care insurance

Nursing Facilities in Minnesota: Trends in Payment



Nursing Facility Medicaid Rates

- Each nursing facility has 36 rates that correspond to 36 case mix classifications (levels of resident need).
- Upon admission the nursing facility uses a federally required assessment to determine client needs. The data from this assessment is used to determine which of the 36 rates will be assigned.
- A client is assessed quarterly and when there are health changes. The rates then change as well.
- A nursing home's rate is comprised of several components:
 - An operating component for nursing, dietary, housekeeping, utilities, etc.
 - A property component that pays for upkeep, remodeling, and interest on debt.
 - An external fixed rate including the bed surcharge, provider license/fees, property taxes, and other costs outside of provider control

Impact of Rate Equalization

- Minnesota's policy of limiting rates charged to private residents to the same rates that Medicaid pays means that almost all residents days in Minnesota nursing homes are paid at government controlled rates.
- Because the Medicaid rates do not cover provider costs, the equalization policy forces providers to accept the same inadequate rate for their private pay residents

Why do nursing facility rates differ?

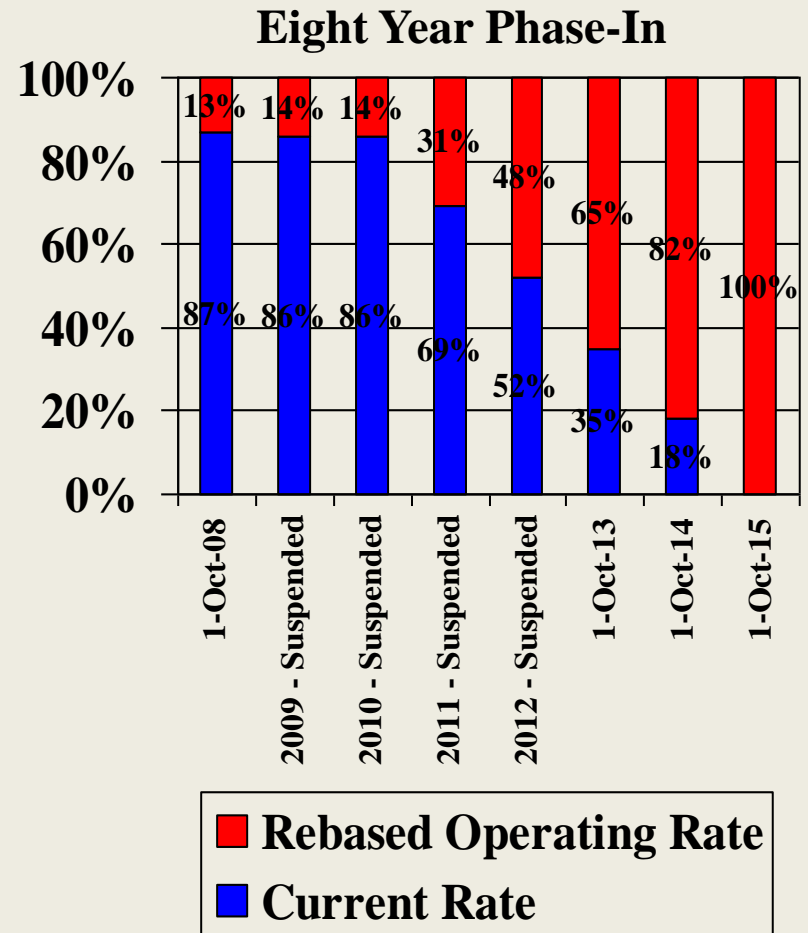
- During the 1980's and early 1990's nursing home rates were based on each provider's costs.
 - Labor costs differ throughout the state, so limiting of costs based on peer groups was used
 - Types of clients served vary, and historical cost patterns were not the same even within the same geographic region
- In the mid-1990s, Minnesota adopted a system where the historical rates were locked-in and adjusted by inflation.
- Since that time, rate adjustments have been determined annually by the Legislature.

Nursing Facility Medicaid Rates Do Not Cover Provider Costs

- Over time a large gap between the cost of care and the Medicaid rates has developed:
 - The projected shortfall between average costs of care and average Medicaid rates in Minnesota is \$24.70. For the nation as a whole it is \$17.33.
- Minnesota and North Dakota are the only two states with a rate equalization policy. North Dakota's average FY 10 Medicaid rate covers more than 100% of provider costs compared to 86.8% in Minnesota.
- The lack of a payment system that reflects the cost of care is undermining the viability of nursing facilities throughout Minnesota.

Legislature Approved “Rebasing” of Nursing Facility Payment

- 8 Year Phase-In of operating rates that reflect the actual cost of caring for residents
- Intended to close the gap between rates and costs and create predictable system
- Passed in 2007 Legislature
- Implemented on October 1, 2008
- Suspended for 2009, 2010, 2011, and 2012



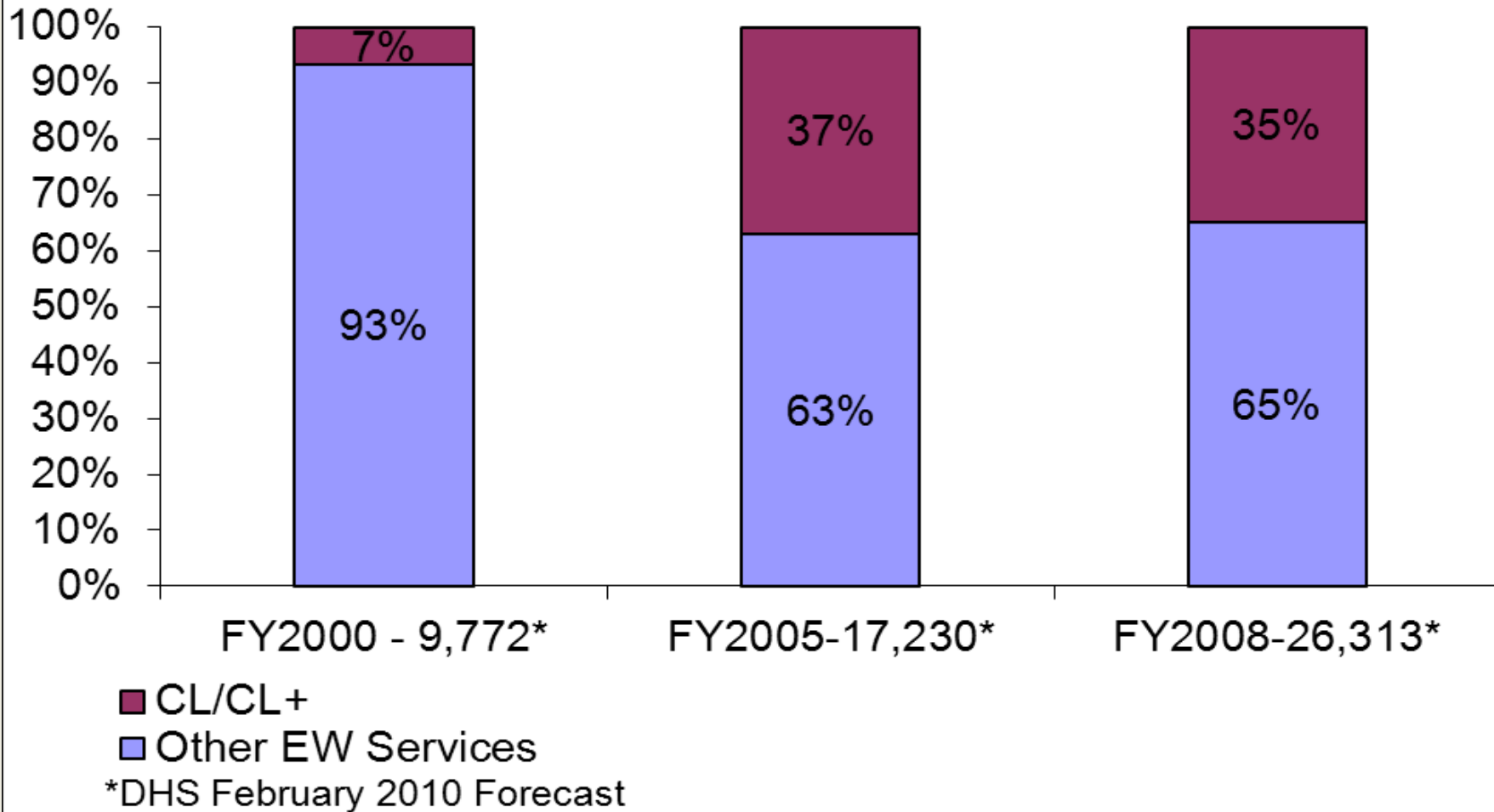
Elderly Waiver

- EW funds home and community-based services for people age 65 and older who are eligible for Medical Assistance (MA) and require the level of medical care provided in a nursing home, but choose to reside in the community.
- Covered services include visits by a
 - skilled nurse
 - home health aide
 - homemaker
 - Companion
 - personal care assistant
 - home-delivered meals
 - adult day care
 - supplies and equipment
 - home modifications

Elderly Waiver

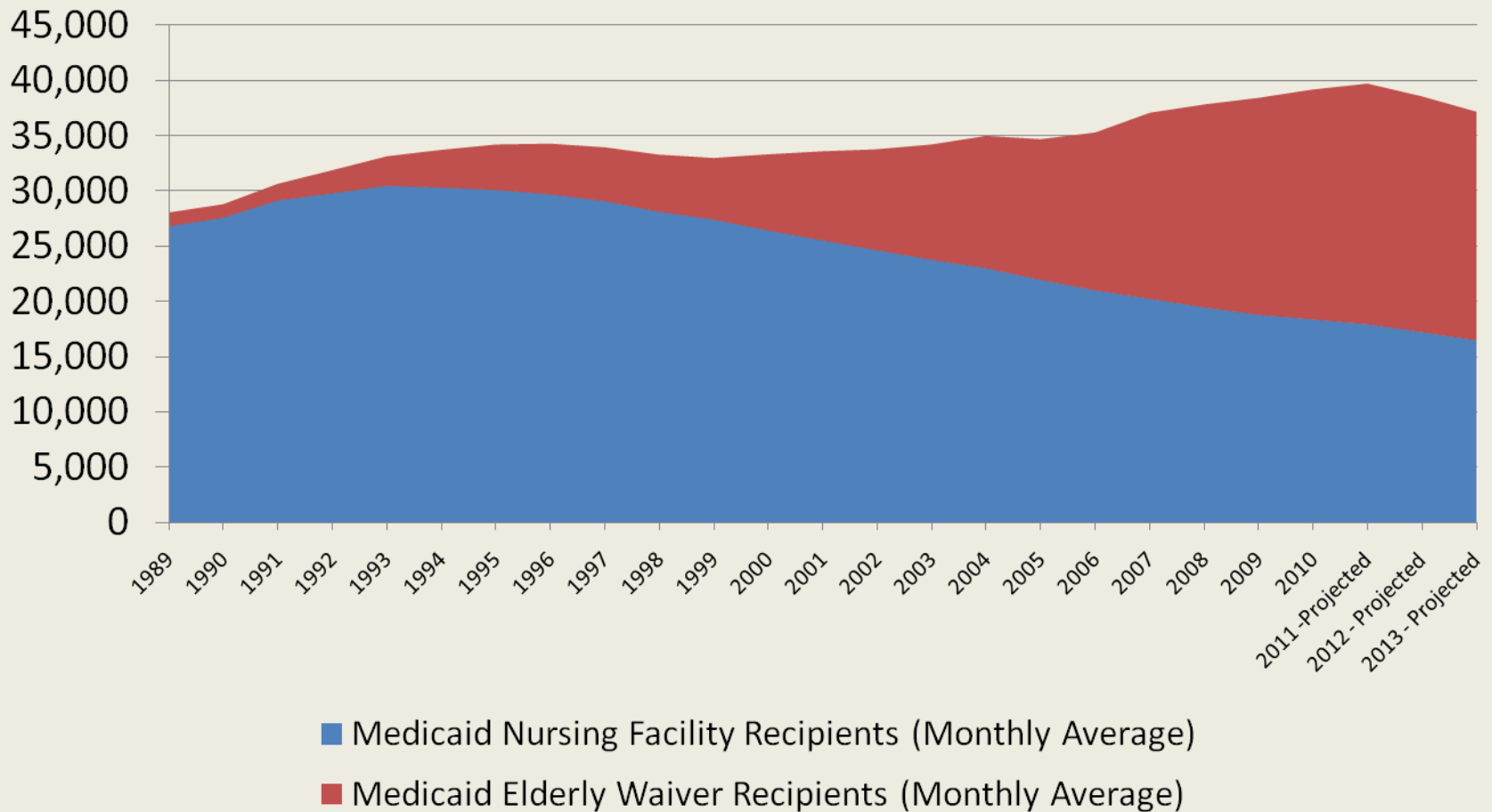
- Currently, most of the Elderly Waiver clients are enrolled in Managed Care
- Lead agencies including the counties and Managed Care Organizations assess client and develop payment for clients in the home or assisted living setting
- Legislative cuts in 2009 and 2010 and other administrative actions have cut the Elderly Waiver program by more than 10 percent.

Percent of Elderly Waiver Recipients (EW) in Customized Living / 24 hour Customized Living

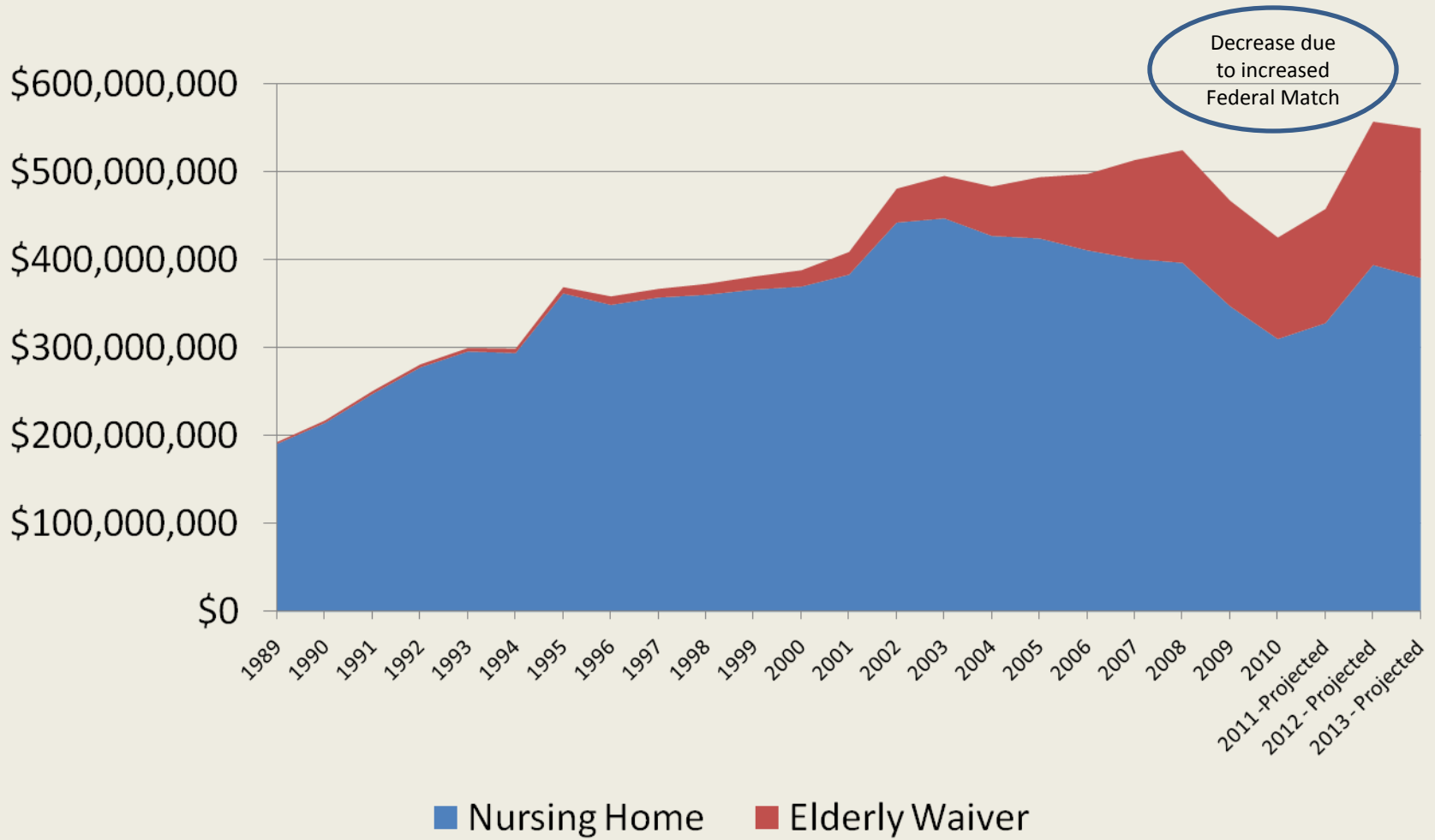


Source: DHS Report to the Minnesota Legislature: Status of Long-Term Care in Minnesota 2010

Medicaid: Nursing Home and Elderly Waiver Utilization (Source: DHS Nov-10 Forecast)

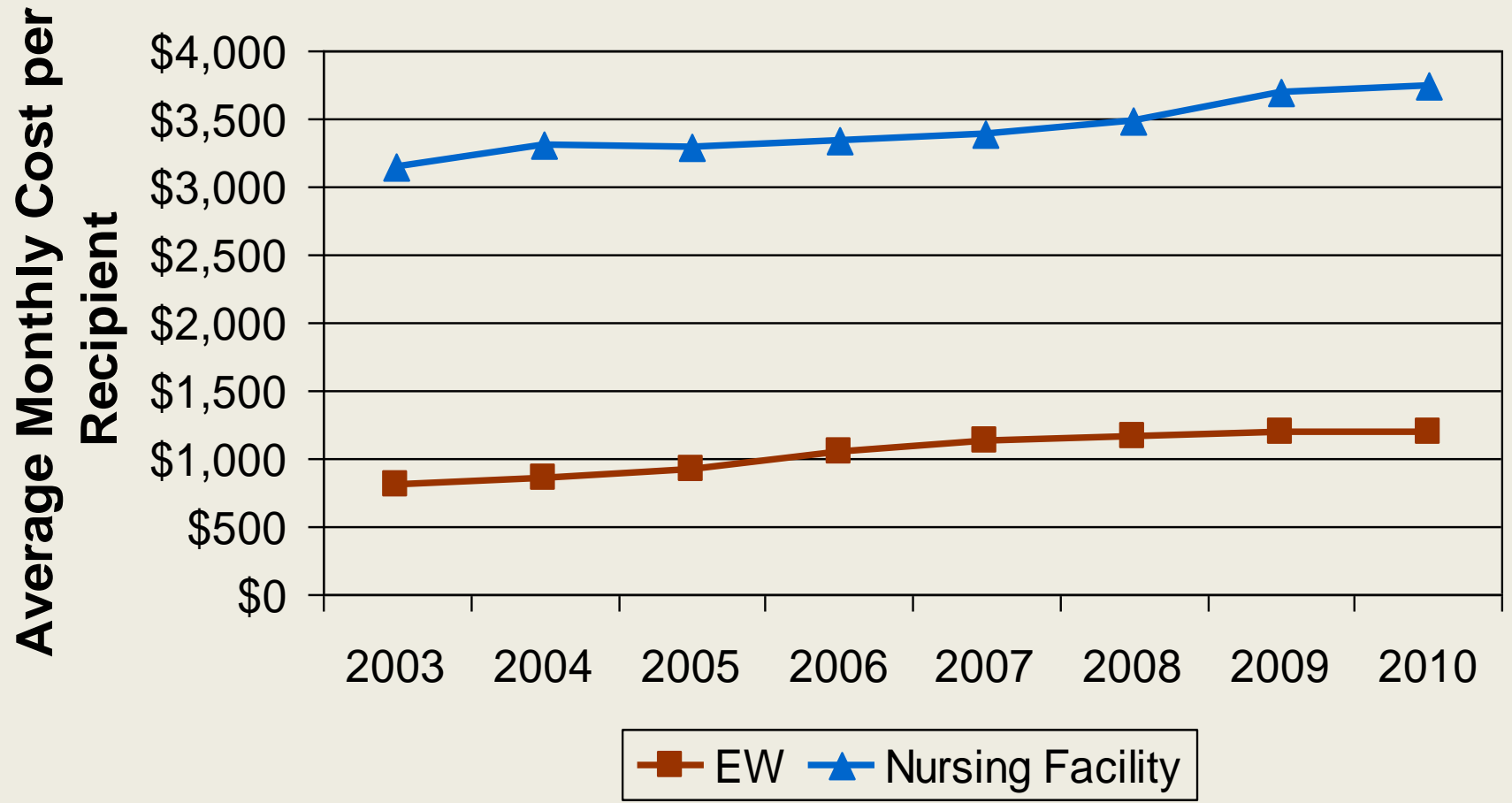


State Medicaid Expenditures for Nursing Homes and the Elderly Waiver (Source: DHS Nov-10 Forecast)



EW an Economical Alternative to Nursing Facilities

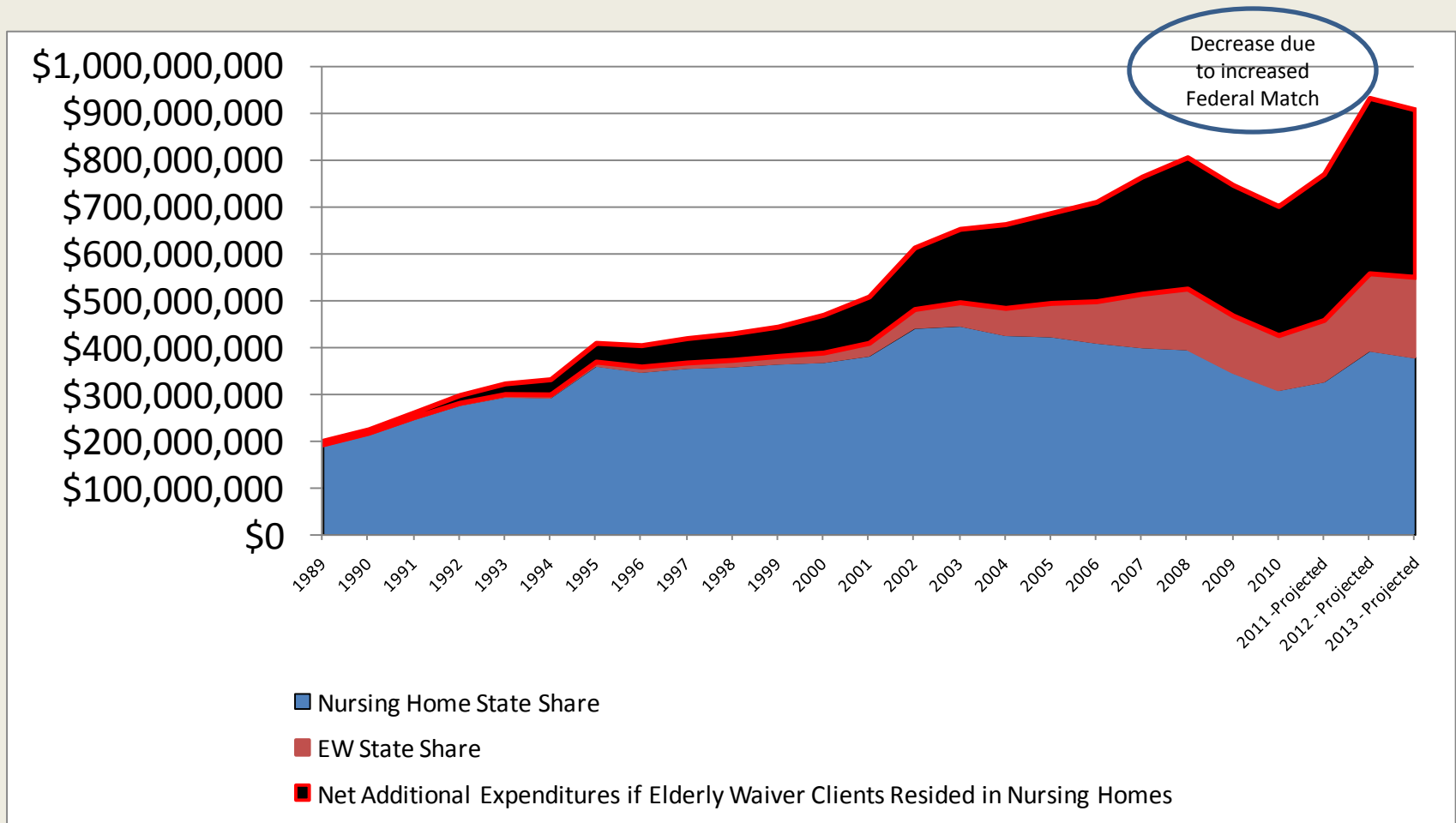
Costs the State \$2,500 less per month



Source: DHS Spending Forecast November 2010

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Contact Information

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