



October 9, 2009

To: Senator Donne Trotter via Ron Holmes

From: Pat Comstock, Executive Director

RE: Information for Deficient Reduction Committee

The Health Care Council of Illinois appreciates your invitation and welcomes the opportunity to speak before your committee on March 10, 2009.

The responses included in this memo represent our initial thoughts on the issues before your committee. However, the timing of the distribution of your memo made it difficult to provide thoughtful responses in some areas.

Our normal practice is to poll our members for their thoughts on these issues prior to establishing our public policy approaches. As we do receive this information from our members we will provide additional information for consideration by the Committee.

1. What areas of the state budget are you interested in protecting and why are those areas important?

Budget Line: Medical Assistance: Skilled and Intermediate Long Term Care and Supportive Living Facilities (GRF)

The Medical Assistance: Skilled and Intermediate Long Term Care and Supportive Living Facilities (GRF) budget line is one of two budget lines that provide, in part, for the end of life care of over of the state's very frail elderly residents in need of the 24 hour skilled medical care services in nursing homes. This population falls into two categories, very poor elderly residents who were receiving Medicaid health care services prior to entering the nursing home and others who paid for their nursing home care until they exhausted all of their resources and had to turn to Medicaid. This budget line also covers the care needs of low-income Illinoisans of all ages who are well enough to be discharged from the hospitals, but too ill to take care of themselves at home. One thing is consistent, for the state's

52,000 low-income residents in need of residential health care, this budget line is THEIR lifeline.

The face of nursing home residents has changed dramatically over the last few years. Over 40% of our residents leave and return to the community within 90 days of admission. In fact, the Department of Public Health recently reported that nursing homes experience, on the average, a 200% turn-over in residents each year. This number was only a 100% a few years ago.

Our longer term residents are older and sicker requiring more intense services. Almost half of the residents are over 80 years of age. Over half of residents are at the highest need level for assistance with eating, toileting, transferring, bathing, dressing, and personal hygiene. Almost a quarter are being monitored for acute medical problems and almost a third are in pain management programs. Over a third of the residents have incontinence problems. Sixty percent plus are in need of services for the cognitively impaired.

We cannot lose sight of the commitment that the General Assembly and the last two administrations have made to provide the highest possible quality of care to the state's frailest elderly. This new funding mechanism, commonly referred to as the MDS, is in its 3rd year of implementation. It is imperative that this commitment be honored and the phase-in proceed as agreed.

To demonstrate the impact of rate cuts, in the early 1990's nursing home providers received reimbursement equal to 86% of their cost to deliver care. Today that number has dropped to 78%.

The Medical Assistance: Skilled and Intermediate Long Term Care and Supportive Living Facilities (GRF) budget line combines with the Long Term Care Provider Fund (Special Fund) budget line to cover the State's portion of the nursing home expenditures.

2. What revenue enhancements would you recommend be implemented to support those areas?

In general, HCCI supports increases in such sin taxes as smokeless tobacco and cigarette that would increase revenue paying into the Long Term Care Provider Fund (Special Fund), which would permit full funding of the long term care nursing services reimbursement rate (MDS), closing the gap on reimbursing actual overhead costs (support rate), and, overtime, reduce reliance on GRF. For example,

as of 1/1/09, the average daily rate for nursing home care in Illinois is \$117.51 while the average daily cost is \$150.39.

In addition, HCCI has in the past indicated it's willingness to support an increase in the income tax as long as a portion of the tax be dedicated to paying for existing social and human services. Over the next 27 months, any money paid out of the Long Term Care Provider Fund (Special Fund) and the Medical Assistance: Skilled and Intermediate Long Term Care and Supportive Living Facilities (GRF) will result in a 60% federal match, which will give the state an extra bang for its buck and help the nursing home industry meet its goal of payment predictability.

Unlike the provider taxes that have helped the state pay its hospital bills, the federal government caps long term care provider taxes at 5.5%, which Illinois is close to reaching. HCCI has worked with the Department of Healthcare and Family Services to attempt to craft a plan that does not place residence at risk of losing services, but has been unsuccessful to date.

3. What reforms would you recommend in state-provided healthcare services to save taxpayers' money and improve access to services?

4. How can the state improve service delivery while reducing expenses?

Authority was granted over three years ago to automate Illinois' existing ineffective labor intensive Medicaid eligibility system. Central Management Services was working towards the mandated computerized entry system, which had a required start date of October 1, 2007. It was envisioned that the system would replicate the Web-based tracking system currently employed by the hospitals. Fully implementing this system would reduce labor demands, avoid billing delays, and eliminate wasteful duplication of adjustments. (PA 95-0458/Clayborne)

5. How can Illinois reduce healthcare fraud to save taxpayer dollars?

Healthcare fraud is virtually impossible in the nursing home billing system:

- Nursing homes do not initiate bills to the State. Instead the Department of Healthcare and Family Services provides a list of residents that the facility must verify were in the nursing home on a date certain.
- Every three months, every nursing home electronically transmits a MDS (Minimum Data Set) assessment to the state that has over 700 detailed aspects of patient care. It allows the state to electronically audit any anomalies in care and billing practices and to follow up with an on-site review. There is also a provision for on-site review performed by the Department of Healthcare and Family Services.
- Audited cost reports are required to be submitted to the state annually. These reports serve as a basis for the support component of the nursing home rate.

6. What deficit reduction measures do you support?

The federal stimulus package, signed into law in February, increases the federal Medicaid match from 50% to nearly 60% for a period of 27 months beginning April 2009. It is estimated that Illinois will receive nearly three billion additional dollars over the next two years. To qualify for the funds, the state will need to lower the payment cycles of certain Medicaid providers to 30 days by June 1, 2009. Nursing homes are among this provider group. To make this possible, HCCI urges that the enhanced stimulus money be used to first lower payment cycles, ensure that reimbursement rates for existing programs reflect the true cost of providing services, and that the 30 day payment cycle be maintained ensure payment predictability.

HCCI opposes the use of rate cuts and freezes to maintain or cut costs. Over the long term, such tactics place the health and safety of nursing home residents at risk by crippling the ability of the facility to respond to patient care demands.

HCCI believes that Illinois should fulfill its current obligations to its citizens receiving Medicaid services all across the continuum before any new programs are implemented or before programs are expanded.