

2009 Human Services Budget

Nursing Homes

Since 1996 nursing homes that care for Medicaid residents have been reimbursed by the state using what is known as a case-mix payment system. Generally, this system provided payment to nursing homes at a higher rate for higher acuity residents for which they provide care. These acuity rates are adjusted quarterly based on the changing medical condition of residents. Overall, the majority of costs eligible for reimbursement by the state to the nursing home are based on audited cost reports that may be several years old.

Each July since the payment system was implemented, the majority of the costs are updated and they have historically averaged in excess of five percent annually. The financial implications of lower acuity residents going to alternative settings and higher acuity residents remaining in nursing homes at a higher reimbursement level was permanently altered with the 2005-2006 commonwealth budget. For FY 2005-2006, the approved commonwealth budget contained a cap on the payment system increases, limiting them to a statewide average increase of not more than 2.8 percent. For the FY 2006-2007 commonwealth budget, the cap was improved to a four percent increase, but not before an acrimonious debate that lasted several months between the Department of Public Welfare (DPW), the legislature and the nursing home associations. The end result was a carve-out of county nursing homes from the current payment system, meaning county nursing homes are now paid in a different manner than other nursing homes as of July 1, 2006. For FY 2007-2008, the increase was capped at three percent. Last year with tremendous cooperation between the various statewide nursing home associations and in a very difficult budget year, a one percent increase was achieved.

The county carve-out has provided opportunities for county nursing homes to receive additional payments for the care of Medicaid residents, thanks to a combination of Intergovernmental Transfer (IGT) and Certified Public Expenditure (CPE) funds. The CPE funding stream is another means to maximize federal dollars to help fund long-term care in Pennsylvania and

can only be used by counties. This will help to continue the role of the county nursing home as the "safety net" facility, while at the same time including incentives for care of higher acuity residents. A coordinated effort between the County Commissioners Association of Pennsylvania and DPW was necessary to accomplish these new payment initiatives. Pennsylvania has also received approval from the federal government for the renewal of the nursing home assessment program for five-years. This is of major interest to counties because county nursing homes are now part of the assessment.

The IGT has been a major funding source for long-term care in Pennsylvania, especially nursing homes, since 1991. Several years ago the federal government began phasing out the IGT. For Pennsylvania, an eight-year phase down has reached its end with the successful completion of the October 2008 transfer. Fortunately, a number of programs of financial importance to county nursing homes have been forward funded from previous IGT transactions and the current CPE process.

The loss of these IGT funds is a major concern for the administration and the legislature since a large percentage of the money generated by the IGT was used to help bolster the payment rates for nursing homes and other Medicaid-funded programs. A direct concern for counties is the current requirement to pay ten percent of the non-federal share of the medical assistance costs for county nursing homes. Currently, Pennsylvania counties have this cost covered by IGT funds and other sources through the end of calendar year 2011. Counties need a long-term solution that should include legislative action to repeal Act 132 of 1976 requiring this county share. The commonwealth continues to use large amounts of money from the lottery and tobacco settlement to help offset the loss of IGT funds.

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