CCAP COUNTY COMMISSIONERS ASSOCIATION OF PENNSYLVANIA
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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 provides payment to nursing homes at a higher rate for higher "acuity" residents for which they provide care. An objective of the current Administration is to find alternative settings, other than nursing homes, for those persons with lower acuities. 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 in 1996, 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 2005-06 Commonwealth budget. For FY 05-06, the approved 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 06- 07 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 debate resulted in a planned carve-out of county nursing homes from the current payment system. Federal approval has just been received for this carve-out, and county nursing homes will be paid in a different manner than other nursing homes as of July 1, 2006.

This should provide 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 yet another attempt to maximize federal dollars to help fund long-term care in Pennsylvania. This will 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. Unfortunately this year the proposed budget calls for only a two percent increase. A coordinated effort between CCAP and DPW will be necessary to accomplish these new payment ideas for county nursing homes. Another unknown factor this year will be the renewal

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of Pennsylvania's nursing home assessment program. The four-year program is scheduled to end on June 30, 2007 and must be renewed by both the Pennsylvania legislature and the federal government. Of major interest will be the possible inclusion of county nursing homes in any renewal of the assessment program, which could lead to greater availability of Medicaid funds.

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 is now in its sixth year. This year's IGT was approximately 60 percent less funding than four years ago, and will drop another 15 percent next year.

The loss of these IGT funds should be a major concern for the Administration and the legislature since a large percentage of the money generated by the IGT is used to help bolster the payment rates for nursing homes and other Medicaid funded programs. The IGT will not be available as a viable financing option after FY 07-08.

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