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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. 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, 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 paid in a different manner than other nursing homes as of July 1, 2006. For FY 07-08, the increase was capped at three percent.

The county carve-out 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 another attempt to maximize federal dollars to help fund long-term care in Pennsylvania and can only be used by counties. 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. A coordinated effort between the County Commissioners Association of Pennsylvania and DPW will be necessary to accomplish these new payment

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initiatives for county nursing homes. Pennsylvania is also seeking the renewal from the federal government of the nursing home assessment program. It is of major interest to counties because the plan is to include county nursing homes in this renewal, 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 nearing its end. The 2007 IGT was approximately 75 percent less funding than five years ago, and will drop another 15 percent in 2008, which will be the last year for the IGT.

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 is 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 their nursing homes. Currently Pennsylvania counties have this cost covered by IGT funds through the end of 2009. An arrangement with DPW will cover the cost for calendar year 2010. A long-term solution is needed for counties which should include legislative action to repeal Act 132 of 1976 requiring this county share. The Commonwealth is now using lottery funds and tobacco settlement funds to help offset the loss of IGT funds.

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