Approved: January 28, 2010
Date

# MINUTES OF THE HOUSE AGING AND LONG TERM CARE COMMITTEE

The meeting was called to order by Chairman Bob Bethell at 3:30 p.m. on January 19, 2010, in Room 784 of the Docking State Office Building.

All members were present except:

Representative Schwab - excused
Representative Donohoe - excused
Representative Carlin - excused

1/19

Committee staff present:

Doug Taylor, Office of the Revisor of Statutes
Terri Weber, Kansas Legislative Research Department
Estelle Montgomery, Kansas Legislative Research Department
Oraida Orr, Kansas Legislative Research Department
Judith Holliday, Committee Assistant

Conferees appearing before the Committee:

Tom Buell, Director, Family Preservation Services, DCCCA
Bill Persinger, Executive Director, Association Community Mental Health Care Centers of Kansas
K.J. Langlais, Chief Executive Officer, Evergreen Living Innovations, Inc.
Angela Hullinger, Chief Executive Officer, Middlebrook Rehabilitation Hospital, Hays
Justin Loewen, PACE Administrator, Via Christi Health Center, Wichita
Chad Austin, Vice President Government Relations, Kansas Hospital Association
Sean Balke, Chief Operating Officer, Craig Home Care, Wichita
Cindy Luxem, Executive Director, Kansas Health Care Association
Joe Ewert, Government Affairs Director, Kansas Association of Homes and Services for Aging

Others attending:

See attached list.

Chairman Bethell called the meeting to order by welcoming the conferees. He displayed the plaque received by the Committee during the fitness challenge, and he reminded the Committee that it was their award and thanked them for the honor of representing them by having his name on the plaque.

The Chairman told conferees that the meeting would go until 5:00 and any conferees not having the opportunity to testify would be put on the agenda for the January 26 meeting.

Tom Buell, Director, Family Preservation Services, DCCCA, presented comments on the Medicaid cuts. (Attachment 1) Mr. Buell is an employee of DCCCA, a not-for-profit established in 1974 to provide programs for drug and alcohol treatment, children's residential services, traffic safety and offender treatment, and Family preservation services. Medicaid accounts for approximately 8% of the total agency revenues and these mental health services are vital to improving the quality of life and safety for clients.

DCCCA family preservation serves approximately 1600 Kansas families each year at the highest risk of losing their children to state and foster care system. Fewer than 15% of families served end up with a child in foster care, which makes Family Preservation a vital tool for saving state dollars.

In home delivery of mental health services allows therapists to observe the family in their own environment which enables adequate diagnoses and treatment for family conflict, child management practices, antisocial behavior and disorganization.

Mr. Buell's testimony detailed the unique provision of services and utilization of Medicaid dollars: DCCCA will continue to accept new Medicaid consumers even though the rates go down; the therapists meet as often

as the family needs them, not on a weekly schedule; provide integrated therapies depending on diagnosed need, including individual, family and couples therapy; most of their work is with children with services related to keeping children at home and lowering costs of foster care.

Mr. Buell stated that DCCCA's in-home therapy provides an alternative to Community Mental Health Centers (CMHC) services and reduces their waiting lists.

Bill Persinger, Executive Director, Association of Community Mental Health Care Centers of Kansas (ACMHCCK) testified before the Committee. (Attachment 2) Kansas has 27 licensed CMHCs which provide HCBS ouptatient MH services in all 105 counties, 24 hours a day, seven days a week. The CMHCs are required to serve all Kansans needing treatment, regardless of ability to pay. This makes the CMHC the 'safety net' for Kansans with MH needs, serving over 125,000 Kansans with mental illness last year.

One in four adults experience a mental health disorder each year causing disability which, when untreated, can lead to school failure, family conflicts, drug abuse, violence or suicide, making them costly to families, communities, and the health care system.

Funding reductions impact the public mental health system in the following ways: Increased hospital admissions, local emergency rooms and psychiatric hospitals; increased suicide calls; service delays for uninsured; waiting lists and longer wait times for appointments; program elimination; and closing of local offices.
Mr. Persinger outlined the actions taken in response to the cuts: Hiring freeze, layoffs and leaving positions open; withholding raises, cutting training allowances, and freezing mileage rates; reducing psychiatric medication services; down-sizing substance abuse program; starting a wait list; discontinuing several family programs; cutting back on outpatient counseling; closing branch offices; raising rates, requiring up-front payment at time of service; sending overdue accounts to collection agencies; cutting capital project spending, and many more cost saving measures

K.J. Langlais, Chief Executive Officer, Evergreen Living Innovations, Inc., testified before the Committee. (Attachment 3) Evergreen Living Innovations is a non-profit organization operating a 112-bed licensed skilled nursing facility in Olathe serving residents 80% of whom are on Medicaid, 10% Deaf or Deaf and blind, 10% under age 65, and 10% on Hospice care. They take complex cases with the highest cost care needs often turned down by other nursing homes.

Most businesses spend 35% of revenue on labor costs; long-term care operations spend 75-80% of revenue on labor. Their Medicaid funding has a federal match with approximately 30% from State and 70% from Federal.

Staffing cuts will negatively impact resident services and care. Ms. Langlais urged the Legislature to consider options which will not hurt the ability to care for the frail elderly and disabled residents with limited funds and complex medical needs. In her words, "Don't do it."

Angela Hullinger, Chief Executive Officer, Middlebrook Rehabilitation Hospital, Hays, presented testimony before the Committee. (Attachment 4) Ms. Hullinger stated that Meadowbrook Rehabilitation Hospital has two programs greatly affected by the 10% Medicaid cuts: the Traumatic Brain Injury Program and Long-Term Care Program.

To put it into perspective, the decrease in revenues of approximately $80,000 per month would cover salary for 27 employees; medications for all residents for four months; Physical Therapy and Occupational Therapy for a month; and food for every patient for 8 months.

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Meeting the complex and intensive medical care for traumatic brain injury patients requires many specialists: and providing care is expensive and costs more than the hospital is reimbursed.

In addition to unemployment issues, qualified employees will move out of state to work; facilities will close; providers will no longer accept new Medicaid patients; capital improvements to facilities and technology upgrades to keep up with national standards will not be made; and there will be higher screening standards for TBI and LTC consumers in determining if care can be provided in a facility with low reimbursement rates. Those not accepted will place a greater burden on families and communities for their care.

Justin Loewen, PACE Administrator, Via Christi Health Center, Wichita, presented a detailed report on PACE and the Medicaid impact on the program. (Attachment 5) The PACE program started in 2002 and there are now two PACE programs; Via Christi HOPE, Wichita, and Midland Care, Topeka. A feasibility study for expanding PACE into Wyandotte and Johnson counties is near completion. The PACE program promotes community services that allow qualified individuals to remain at home by blending a health plan with direct care and providing acute, preventive and long-term care services.

PACE receives a single, fixed monthly payment from Medicare, Medicaid, and/or private pay which provides comprehensive, high quality health care for high-need, high-cost older adults. The State incurs no additional costs as the PACE participant's needs increase, and PACE provides the State a 36% cost savings for every individual diverted from nursing facility placement. PACE providers assume full financial risk for participants' care without limits on the amount, duration, or scope of services.

PACE is the only model of care in Kansas that provides services using a capitated, full-risk methodology. By regulation PACE providers cannot reduce or cut services, and must provide all Medicare and Medicaid-covered items and services, and any other services determined necessary.

Prior to Medicaid cuts, PACE saved the State 25-cents on every dollar for Medicare recipients and 10-cents on the dollar for those without Medicare. Via Christi HOPE has only received a 3% Medicaid increase in 9 years of operation, compared to inflation rates for nursing facilities of over 13% in the last 5 years. Following Medicaid cuts, Wichita PACE operated with a Medicaid rate 7% lower than when it opened in 2002.

Mr. Loewen summarized by saying that the PACE program is a long-term solution to Medicaid funding challenges for people age 55 and older. However, with the current Medicaid cuts it cannot remain viable without adequate funding. He urged the Committee to consider the long-term benefits and savings PACE offers to the State as they work together to identify a new plan for delivering affordable care to an aging, vulnerable population.

In response to questions regarding savings to the State and the number served, Mr. Loewen told the Committee that more than 275 people are served through the PACE program at a savings of approximately $1,000 per person. In addition, all medical services are provided by PACE at no cost to the State.

Sean Balke, Chief Operating Officer, Craig Home Care, Wichita, testified before the Committee. (Attachment 6) Craig Home Care provides specialized home based pediatric nursing services to approximately 155 children and families across Kansas, Missouri, and Nebraska. They employ 237 Kansans and support many Kansas communities.

Nursing care is provided through a Social and Rehabilitation Services (SRS) program called Technology Assisted Waiver (TA Waiver), formerly known as ACIL. These children are medically fragile and would require hospitalization without the support of in-home nursing such as ventilators, tracheostomy, gastric tube care and feedings, infusion therapy and other skilled services. A detailed definition of a medically fragile person was included in the handout.

Mr. Balke's testimony included business challenges to his organization before the 10% Medicaid reduction. These included increases in employee benefit costs, Kansas unemployment tax and workers compensation rates.

Program challenges included receiving only one rate increase in nine years to nursing providers under the TA Waiver while other states increased annually, and a potential move toward a non-skilled level of support which is inappropriate for medically fragile cases like those in the TA Waiver program.

Mr. Balke's handout provided detailed examples of the impact on staff, facilities, the communities, and the families and/or patients by the 10% cuts. Mr. Balke also told the Committee that Kansas pays for children to go to Children's Mercy Hospital in Missouri, which is a further drain on State resources.

Cindy Luxem, Executive Director, Kansas Health Care Association (KHCA), testified before the Committee. (Attachment 7) KHCA is a trade association with a membership of over 185 nursing homes, assisted living, residential health care, home plus, and nursing facilities for mental health.

Long-term care has a $1.2 billion dollar annual economic impact to our state, so a 10% cut has a huge impact on the state. KHCA questions the decision to reduce appropriations for provider rates when Kansas receives roughly a 70% federal match.

The Legislature has helped improve reimbursement for providers, and with improved methodology in 2006, providers were reimbursed at almost 95% of cost. Combining the 10% payment reduction with flat rates for nursing homes will result in underfunding from an estimated $12 per patient day to more than $24 per day. Facilities will close and jobs will be lost, affecting rural communities whose main employer is the hospital or care facility. Three homes closed in the last year, before the cuts were announced.

There is a strong correlation between the increase of average rates, quality of service, and quality of care for residents. HCBS-FE and PD waiver services are often made available to residents who paid privately for a period of years, live longer than expected, and the home helps the resident turn to Medicaid so they can stay in their current environment. Seniors experience trauma when relocation is required for their care.

Ms. Luxem addressed the reimbursement rates for nursing homes for mental health, which are reimbursed the same as geriatric nursing homes but the clientele is much different. These residents are screened for severe and persistent mental illness (SPMI) often paid for by Medicaid. but because of the designation of Institutes of Mental Disease (IMD) the State cannot receive federal matching dollars for these residents, only State General Funds. Even at the highest reimbursement rate, they receive just over $4 per hour for 24/7 care. Ms. Luxem called attention to the attachment which provided an analysis of economic impact on long-term care facilities.

Joe Ewert, Government Affairs Director, Kansas Association of Homes and Services for the Aging (KAHSA), testified before the Committee. (Attachment 8) KAHSA represents 160 not-for-profit nursing homes, retirement communities, hospital long-term care units, assisted living residences, low-income housing and community-based service programs that serve over 20,000 older Kansans every day.

Medicaid reimbursement to nursing homes is calculated through a cost-based system, but changed in 2009, holding nursing home reimbursement to the average of costs incurred in 2005, 2006 and 2007. As a result, nursing homes looked for options to compensate for the losses incurred serving Medicaid residents.

The average shortfall between reimbursement and actual costs to not-for-profit nursing homes is $31 per beneficiary per day. With 70% of nursing home costs directly related to employment, this translates to job losses.

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Finally, Mr. Ewert stated that the reduction of state Medicaid funds coupled with the massive forfeiture of matching federal funds could have potentially very negative consequences on the nursing homes, their communities, and the residents they serve.

Chad Austin, Vice President Government Relations, Kansas Hospital Association (KHA), provided testimony to the Committee. (Attachment 9) Increases in the number of patients treated without any or insufficient insurance increased bad debt expenses and charity care requests, which will only get worse with the Medicaid cuts. The Kansas Medicaid program has not provided a rate increase to hospitals and physicians for over 10 years. Hospitals must shift these costs and losses to everyone else, resulting in higher costs, higher insurance premiums and higher local taxes.

Access to health care will be impaired, resulting in care in more expensive settings. Every provider will consider whether they can continue to provide the same services they currently provide, and services will be limited to everyone, not just Medicaid beneficiaries.

The $3 saved by the State through these cuts actually cut provider reimbursements by $10–three times as much. Federal matching funds could have paid for a good percentage of the Medicaid cuts, and Mr. Austin urged the Legislature to use all means available to protect the federal share of Medicaid. There is considerable financial pressure on hospitals who must provide services to everyone regardless of their ability to pay, so it is vital that hospitals remain financially viable.

Conferee testimony not heard at this meeting was deferred to the meeting on January 26.

The next meeting will be Thursday, January 21, 3:30 p.m.

The meeting adjourned at 5:00 p.m.

# AGING AND LONG-TERM CARE COMMITTEE
## GUEST LIST

DATE: 1-19-2010

| NAME | FIRM REPRESENTED |
|---|---|
| Tom Buell | OCCCA |
| ROBIN CLEMENTS | OCCCA |
| Justin Loewen | Via Christi |
| [illegible] | Midland Care Place |
| Mitzi McKatrick | KS Advocates for Btr. Care |
| Chad Austin | KHA |
| Ami Hughey | SKIL |
| Ami Hyten | Topeka Independent Living Resource Ctr. |
| [illegible] | Senior Adult Mgt Inc. |
| Gary Fowler | KACE & Village Villa - Noodonville |
| TED HENRY | CAPITOL STRATEGIES. |
| Marshall Kennedy | KS Commission on Veterans Affairs |
| Angela Hullinger | Meadowbrook Rehabilitation Hospital |
| Jason Balke | Craig Home Care |
| Richard Giblin | " " " |
| Jan Rhys | KS Council on Dev. Disabilities |
| [illegible] | SAC/K |
| Craig Knudsen | SAAK |
| Bill Persinger | MHC of East Central KS |
| Mark Wiebe | Wyandot Inc. |
| Hannah Sanders | KHPA |
| Nancy Zogleman | Polsinelli |
| Tom Laing | InterHab |

Sign in Black INK Please!

# House Aging and Long Term Care Committee

## Impact of Medicaid Cuts

## January 19, 2010

Chairman Bethel and members of the Committee, my name is Tom Buell and I am the Director of Family Preservation Services in the Wichita area. I am an employee of DCCCA, which is a diverse Kansas not-for-profit established in 1974. DCCCA operates programs providing drug and alcohol treatment, children's residential services, traffic safety and offender treatment, in addition to Family Preservation Services. Medicaid-funded mental health services are an integral part of the approach we utilize to improve the quality of life for our clients and ensure the safety of Kansas children. Medicaid accounts for approximately 8% of our total agency revenues.

DCCCA Family Preservation serves approximately 1,600 Kansas families each year who are at the highest risk for losing their children to state custody and the foster care system. On average, fewer than 15 percent of families we serve end up having a child placed in foster care, which makes Family Preservation a vital tool for saving state dollars.

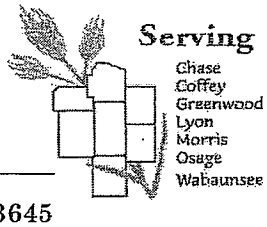
We provide highly intensive services customized to each family's assessed need. These services include frequent mental health sessions in the family home. We believe that services in the home allow our therapists to observe the family in their own environment and enable us to adequately diagnose and treat family conflict, child management practices, antisocial behavior and disorganization. In home delivery of mental health services also simplifies the challenge of engaging and retaining high-risk family members in treatment, a dilemma that plagues mental health services delivered in offices.

Family Preservation is unique in its provision of service and utilization of Medicaid dollars—

- With every Medicaid dollar we receive, we provide a full continuum of wrap around services to that family to supplement the mental health/behavioral issues addressed.
- We will continue to accept new Medicaid consumers even though the rates go down.
- Our therapists meet as often as the family needs them, not on a weekly schedule.
- We provide an integrated set of Medicaid therapies depending on diagnosed need, including individual, family and/or couples therapy.
- Much of our work is with children, so Medicaid dollars go almost entirely to services related to keeping children at home and lowering the costs of foster care.
- Without our in-home therapy services, Family Preservation clients would be accessing Community Mental Health Center (CMHC) services in a less timely manner. DCCCA's in-home therapy provides an alternative to CMHC services and reduces their waiting lists.

This concludes my testimony and I would be glad to answer any questions the Committee may have.

# Mental Health Center of East Central Kansas

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## Testimony to the House Aging and Long Term Care Committee January 19, 2010

Mister Chairman and members of the Committee, thank you for this opportunity to tell you about the tragedy that has started to reveal itself in a most important area of our state's public safety net; that being, community mental health. I am Bill Persinger, Executive Director of the Mental Health Center of East Central Kansas in Emporia.

In Kansas, there are 27 licensed Community Mental Health Centers (CMHCs) which provide home and community-based outpatient mental health services in all 105 counties in Kansas---on call 24-hours a day, seven days a week. The CMHCs coordinate the delivery of publicly funded community-based mental health services and provide services to Kansans of all ages with a diverse range of presenting problems. Together, this system forms an integral part of the total mental health system in Kansas. The CMHCs are required to serve all Kansans needing treatment, regardless of their ability to pay. This makes the CMHC system the "*safety net*" for Kansans with mental health needs, collectively serving over 125,000 Kansans with mental illness last year.

One in four adults (approximately 57.7 million Americans) experience a mental health disorder in a given year.[i] Five of the top ten leading causes of disability world-wide are mental disorders, such as depression, schizophrenia, bipolar disorders, alcohol use and obsessive compulsive disorders.[ii] Like adults, children and adolescents can have mental health disorders that interfere with the way they think, feel, and act. When untreated, mental health disorders can lead to school failure, family conflicts, drug abuse, violence, and even suicide, making them costly to families, communities, and the health care system.

Mental health treatment and care are important, and a good value. We know it costs on average, $428 per day for treatment at one of our State psychiatric hospitals; $80 per day on average to be incarcerated at Larned Correctional Mental Health Facility; $10 per day on average for Medicaid expenditures for community-based mental health treatment; and $22 per day on average for Medicaid expenditures for the most chronic mental health conditions. Research also tells us that that treatment for mental disorders is associated with a 20 percent reduction in the overall use of health care services. At a time when the State is struggling with containing the costs of health care, it appears that paying for the cost of mental health treatment is part of the solution.

Before I describe the impact on my CMHC and those we serve, let me frame for you the bigger picture as to how our system has been impacted by budget cuts over the last several years. It will help you understand the gravity of the cuts in Medicaid when added to what the CMHC system has already

ained in cuts. Highlights of funding reductions impacting the public mental health system include:

1. A loss of $20 million in SGF Mental Health Reform funding since FY 2008 – a 65 percent reduction.
2. A loss of $4.7 million quarterly ($1.4 million SGF; $3.3 million federal funds) as a result of a 10 percent Medicaid rate reduction - $19 million annually.
3. A loss of $3.1 million SGF in MediKan funding in FY 2010 – a 45 percent reduction.
4. $560,000 SGF in Community Support Medication Program funding – a 53 percent reduction.

These cuts, along with an inpatient system that is at, near or over capacity a majority of the time, is a recipe for disaster for the public mental health system.
The impact on those we serve and on the CMHC system will be devastating and is already being felt throughout the State in the following ways:

- Increased admissions to hospitals – local emergency rooms and psychiatric hospitals.
- Increase in suicide calls.
- Increased demand for services.
- Delayed access to services for the uninsured – outpatient, therapy limits, crisis services, reduced/capped benefits.
- Waiting lists for some services and longer wait times for appointments.
- Elimination of programs and closing of local offices.

I would like to touch on how this all translates into an impact on Lyon and the six counties around it which comprise my CMHC's catchment area. For the Mental Health Center of East Central Kasnas, the 10% Medicaid rate cut in a year's time will cost us a loss of between $600,000 and $750,000. Add to that the cuts to our various state grant funds, and our losses could amount to an estimated $1,000,000 in 2010 in a $9,300,000 budget. We are in the process of a change in mission that will leave a gaping hole in the public safety net. Our experience is mirrored across the state, in the communities that you represent.

Our actions, in response to the cuts, include:

- Implementing a hiring freeze.
- Layoffs and loss of jobs in the community.
- Not replacing staff when they leave.
- Withholding raises.
- Trimming the training allowance in our benefit package.
- Freezing our base mileage rate at 34 cents.
- Reducing psychiatric medication services.
- Trimming branch office time.
- Down-sizing our substance abuse program.
- Starting a waiting list (which, in just a few weeks, has grown to 100).
- Cutting back on outpatient counseling slots in our main and branch offices.
- Closing one of our parenting programs called "Family Solutions".
- Discontinuing our domestic (family) violence perpetrator program.
- Discontinuing our anger management group for adults.
- Discontinuing our supported employment program.
- Closing our substance abuse intervention program in Emporia Schools.

- Closing branch office locations.
- Raising our psychological evaluation rates.
- Giving fewer charitable discounts on out-of-pocket fees.
- Requiring (where feasible) payment of out-of-pocket fees at the time of service, versus allowing folks to make affordable monthly payments.
- Sending overdue accounts to a collection agency.
- Cutting capital project spending in half.
- Implementing dozens of other cost-saving and expense-reducing initiatives (too many to list here).

The CMHC system greatly appreciates the attention you are giving to this issue. The outcomes to jobs, the economy, treatment and care, and the impact to other systems such as law enforcement, corrections, juvenile justice, hospital emergency rooms and state psychiatric hospitals will be devastating.

Thank you for allowing me to appear before you today. I would be happy to stand for any questions.

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[i] U.S. Department of Health and Human Services. *Mental Health: A Report of the Surgeon General*. Rockville, MD: U.S. Department of Health and Human Services, Substance Abuse and Mental Health Services Administration, Center for Mental Health Services, 1999, pp. 408, 409, 411.

[ii] *Regional Strategy for Mental Health*, World Health Organization Western Pacific Region, 7 August 2001; Read at http://www.wpro.who.int/NR/rdonlyres/02421D66-3336-4C76-8D59-6ADA8B53D208/0/RC5214.pdf on 2-2-09.

Evergreen Living Innovations
ELI
Inc

**To:** **THE AGING & LONG-TERM CARE COMMITTEE**
**Date:** **January 19, 2010**

**From:** KJ Langlais, CEO, Evergreen Living Innovations, Inc.
Evergreen Community *of Johnson County*
11875 S. Sunset Drive, Suite 100, Olathe, KS. 66061
kjl@eliinc.org 913-477-8227

Thank you, Chairman Bethell and Members of the Committee, for the opportunity to testify.

Evergreen Living Innovations, Inc., (a non-profit organization), operates Evergreen Community of Johnson County, a 112-bed licensed skilled nursing facility located in Olathe, KS. Until 2003 Johnson County government operated our organization as the safety net for those with limited assets; and we continue fulfilling that mission today.

Our resident mix averages 80% on Medicaid, with 10% of those Deaf and or Deaf and blind, 10% under the age of 65, and 10% at the end of life on Hospice. We often take very complex residents with the highest cost care needs who are often turned down by other nursing homes. We recently admitted a woman who was living at home with limited support and many hospitalizations. She had Medicaid benefits only, therefore no available resources from Medicare to help pay for her tracheostomy. To adequately meet her complex medical condition, it was necessary to add one-on-one RN coverage, 24-hours per day for the first 3-weeks until she was stabilized.

Most businesses spend 35% of their revenue on labor cost. In long-term care operations, 75-80% of our revenue is spent on labor with most of the rest going towards food, medical supplies and insurance coverage.

A 10% cut in Medicaid funding could result in a loss of $44,712 per month for our community. In four out of six years of operation we have not made that much profit for the entire year! Annually, we could lose up to $536,550.

Our Medicaid funding has a Federal match with approximately 30% from State and 70% from Federal. And while the state saves the 30%; we end up losing 100% of our funding. In other words, of our potential loss of $44,712 per month; $13,413 comes from the State, and $31,298 comes from the Federal match. Essentially the state is turning down our money from Federal resources for their 30% savings at the expense of frail elderly and disabled.

Obviously this 10% cut would force us to make cuts in staffing; which in turn would impact resident services and care. We do not want to make staff cuts, but as we are reimbursed less and less for services rendered, we will have to make difficult adjustments. As those changes cause unavoidable and undesirable changes, our residents will be affected adversely.

We know the Legislature has a hard job in front of them this year in balancing the budget in these economic times, but we urge you to find the resources and make the cuts in ways that will not adversely impact our most vulnerable Kansans. The Governor has suggested other ways to raise revenues and we urge you to consider any option which will not hurt the ability to care for frail elderly and disabled residents with limited funds and complex medical needs.

Thank you for your time and consideration of my testimony today.

HOUSE AGING & LONG TERM CARE
DATE: 1-19-2010
ATTACHMENT: 3

Testimony Regarding 10% Medicaid Cuts
By Angela Hullinger, CEO at Meadowbrook Rehabilitation Hospital in Gardner, KS

As CEO of Meadowbrook Rehabilitation Hospital, I am greatly concerned about the recent 10% Medicaid cuts and how these cuts will affect our residents, employees, facility, and the community. Meadowbrook has two programs that will be greatly affected by these 10% cuts. We currently have a Medicaid funded Traumatic Brain Injury Program and Long Term Care Program.

To put this into perspective, Meadowbrook Rehabilitation Hospital will have an **$80,000 per month** decrease in revenues that began January 1st, 2010.
$80,000 would cover the cost of:
a) An entire month's salary for approximately 27 employees
b) Medication for all of our consumers for 4 months
c) Physical and occupational therapy for all of our Traumatic Brain Injury consumers for an entire month
d) Food for every consumer in our facility for 8 months

I. Individuals who have suffered a traumatic brain injury are very medically complex and require intensive medical care. In order to meet the needs of these consumers, the facility must employee specialists in the rehabilitation field. The following are just a few examples of specialists that are required in order to meet the needs of consumers who have suffered a traumatic brain injury:
1. Rehabilitation Physicians
2. Internal Medicine Physicians
3. Nurses specializing in rehabilitation
4. Speech, Occupation, and Physical Therapists
5. Psychologists
6. Psychiatrists
7. Behavioral Specialists
8. Respiratory Therapists
9. 24 hour pharmacy availability and a Pharmacist

TBI consumers have very complex medical issues and are extremely expensive to care for. Providing adequate care and services for some TBI consumers at Meadowbrook already costs more than we are reimbursed. Here are a few examples of why costs are so high:
1. Higher patient to staff ratios due to behavioral/aggression issues or complex medical management
2. Requirements for intensive physician intervention
3. Requirements for four hours of therapy or life skills services per day
4. Extensive wound care (requiring specialists, expensive treatments, and specialized mattresses and equipment)
5. Intensive respiratory management and tracheotomy care
6. Frequent trips to doctor's appointments/ER for specialized services. The facility is required to pay for these services and for the medical transportation to these appointments.

II. Individuals who are elderly or disabled and who must depend on others for their care still deserve quality care and to live in a home like environment. Consumers in a Long Term Care facility are expensive to care for and at a minumum require
1. Quality medical care from Nurses and Physicians
2. Rehabilitation from qualified Therapists
3. A clean and comfortable environment in which they have rights, choices, and activities

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Kansas facilities already struggle to manage expenses while continuing to provide quality care to the consumers. Cutting reimbursement by another 10% is going to force facilities to cut back expenses by whatever means possible. Here are some of my concerns regarding the 10% cuts to Medicaid and how this will affect our consumers, employees, Kansas facilities, and Kansas communities.

1) The quality of consumer care will suffer when staffing hours are cut.
2) The quality of food, medical supplies, and equipment in Kansas facilities will suffer when facilities are forced to use cheaper products. TBI and LTC consumers will have fewer choices.
3) Kansas will continue to see a rise in unemployment due to facilities being forced to lay off employees and cut employee hours due to budget cuts.
4) Kansas will lose quality employees, many with specialized education and training, to other states that are not cutting revenues. Other states will be able to offer more competitive pay, full time hours, and better benefits.
5) Many LTC facilities will not be able to stay in business due to the 10% cuts. Of the facilities still in business, many will see an increase in survey deficiencies due to decreased resources and a decrease in the quality of care.
6) Facilities will be forced to limit the number of consumers who utilize Medicaid as their payment source for services. Medicaid constituents already face discrimination in health care due to the low reimbursement rates to providers. Many providers already refuse or limit services provided to Medicaid participants because the cost of providing care is higher than the reimbursement received.
7) Kansas facilities will not have money for much needed improvements to their properties, for purchasing new equipment, or for technological advances to improve the quality of care and to keep up with national standards.
8) Kansas facilities will be forced to have higher screening standards for TBI and LTC consumers in order to determine if the appropriate care can be provided by the facility with the low amount of reimbursement that will be received. There WILL BE many consumers who will not be accepted into Traumatic Brain Injury and Long Term Care facilities and who will have no care options available to them. This will place a greater burden on families and communities.

These are just a few issues I see arising out of the 10% cuts to Medicaid reimbursement. I know it has already greatly impacted Meadowbrook Rehabilitation Hospital and the consumers that we serve. I do not believe anyone has fully considered the impact these cuts will have on our sick, elderly and disabled or the devastating effect it will have on our communities and the state of Kansas.

Thank you for your time and consideration.

Angela Hullinger

Angela Hullinger, CEO
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Via Christi HEALTH

**Aging and Long Term Care Committee**
**Program of All-inclusive Care for the Elderly**...*because your life matters*
**(PACE)**
**Justin Loewen – Via Christi HOPE, Wichita**
**January 19, 2010**

Hospitals *and* Outpatient Centers
Senior Villages
At Home

Chairman Bethell and members of the Committee:

PACE (Program of All-inclusive Care for the Elderly) has been operational in Kansas since September 2002. There are currently two PACE programs, Via Christi HOPE in Wichita and Midland Care in Topeka. In addition, a feasibility study is currently being completed, with the assistance of Health Dimensions, as Via Christi Health and SWOPE Health System look to expand PACE into Wyandotte and Johnson Counties.

PACE is designed to promote community services that allow qualified individuals the opportunity to remain safely at home for as long as possible. This model blends the characteristics of both a health plan and a direct care provider. PACE uses an Inter-Disciplinary Team to provide all medically necessary acute, preventive and long-term care services.

Eligibility Criteria:
- 55 years or older
- Live in Sedgwick Co. (defined service area)
- Safe to live in the community
- Assessed to meet the functional eligibility guidelines established by the State

Capitated Payment:

PACE is a capitated care model receiving a single, fixed monthly payment from Medicare, Medicaid, and/or private pay. This payment is used to provide comprehensive, high quality health care for high-need, high-cost older adults. Under this methodology, the state incurs no additional costs as the needs of the PACE participant increase. Furthermore, PACE provides the State a 36% cost savings for every individual diverted from nursing facility placement.

Full Risk:

PACE providers assume full financial risk for participants' care without limits on the amount, duration, or scope of services. A PACE organization is both a health plan and a direct care provider. PACE is at risk for and accountable for the quality and quantity of all services provided. Our payment methodology provides incentives to ensure that the right care is provided at the right time in the right place.

Payment Rates for PACE:

The PACE rate calculation starts with an Upper Payment Limit (UPL) calculation. CMS requires States to establish an actuarial certified UPL. Historical (actual) Medicaid expenditures for covered categories of service are used to determine the UPL for each PACE region. Aggregate expenditures for Nursing Facilities (NF) and Home and Community-Based Services (HCBS) Medicaid eligible participants are totaled and divided by member months to establish the UPL.

PACE rates are negotiated and must be set at least 5% below the UPL. Currently Kansas PACE rates have been set at 25% below the UPL for individuals with Medicare and 10% below the UPL for individuals without Medicare. This rate methodology guarantees a savings to the state for individuals enrolled in a PACE organization.

Impact of Medicaid Cuts on PACE:

- PACE is the only model of care in Kansas that provides services using a capitated, full-risk methodology. By regulation, PACE providers do not have the option to reduce or cut services. PACE must provide all Medicare-covered items and services; all Medicaid-covered items and services; and any other services determined to be necessary (42 CFR §460.92).

- Prior to the Medicaid cuts, PACE offered the State a savings of twenty-five cents on every dollar for Medicare recipients and ten cents on every dollar for individuals without Medicare. When fully funded, PACE is a care model that represents the future of senior care while still offering savings to the State.

- Via Christi HOPE has received only a 3% Medicaid increase in over 9 years of operation. This can be compared to the inflation rates recorded for nursing facilities of over 13% in the last 5 years. Following the Medicaid cuts, Wichita PACE is operating with a Medicaid rate 7% lower than when it was opened in September 2002. Current Medicaid cuts will have an annualized impact of $417,000 in lost revenue.

In summary, PACE is an innovative, community-based model of care that can be considered a long-term solution to Medicaid funding challenges for those ages 55 and older. However, Kansas PACE cannot remain viable in the presence of current Medicaid cuts. In order to deliver the required care in a full-risk, capitated model, adequate funding must be maintained. With no ability to cut services, a sustained Medicaid cut coupled with only a 3% inflationary increase in 9 years, will lead to certain demise for PACE in the State of Kansas. I urge you to consider the long-term benefits and savings PACE offers to the State as we work to identify a new plan for delivering affordable care to an aging, vulnerable population.

I thank you for the time to appear before you today and I would be happy to answer any questions you may have.

Justin Loewen, CEO (316) 946-5110 Justin_Loewen@Via-Christi.org
Via Christi HOPE

CRAIG HomeCare

A DIVISION OF CRAIG RESOURCES, INC.

www.craighomecare.com

**Testimony Presented to the House Aging and Long-term Care Committee**
**January 19, 2010**

**Introduction**

Chairman Bethell, members of the committee, thank you for the opportunity to talk with you about the impact of the 10% Medicaid rate reduction on Craig Home Care and the children and families we serve. I am Sean Balke, COO of Craig Home Care.

**Company Overview and Program History**

- Craig HomeCare provides home based pediatric nursing services to children and families across the states of Kansas, Missouri, and Nebraska. We employ 237 Kansans, and help support many Kansas communities. Unlike any other home healthcare company, we specialize in serving children and operate almost entirely within the programs designed to support their needs.
- Program – We provide nursing care to Kansas children through an SRS program called Technology Assisted Waiver (TA Waiver), many on this committee may remember this program by its old acronym, ACIL. It is extremely important to understand that, by this programs very definition, **THESE CHILDREN ARE MEDICALLY FRAGILE AND WOULD REQUIRE HOSPITALIZATION WITHOUT THE SUPPORT OF IN-HOME NURSING** (e.g., ventilators, tracheostomy, gastric tube care and feedings, infusion therapy, and other skilled services).

**Background Business Challenges** - As background, this is what our organization (and other Kansas businesses) was up against **BEFORE** the 10% rate reduction was announced for 2010

- Increases in employee benefit costs - our Health Insurance costs have increased by 93% within the last 2 years.
- Kansas Unemployment tax rate has increased over 500%, from 0.92% in 2009 to 5.4% in 2010, for every $8,000 of taxable wages, this is an increase of $358.40 per employee. Based on 237 Kansas employees, this is projected to increase unemployment costs by $84,941 (237 x $358.40).
- Workers compensation increases – up 58% from 2008 to 2009 and 32% from 2009 to 2010, an increase of $225,000 in hard dollars for us in 2010.

**Current Significant Program Challenges**

- Nursing providers under the TA Waiver program have received one (1) rate increase in last nine (9) years, which occurred in the Summer of 2008 – yet rates for these services have been increased annually in Nebraska and Missouri.
- The 10% reduction in reimbursement rate has a much larger negative impact to operating income.
  - **SEE EXAMPLE PROVIDED IN REFERENCE MATERIAL – APPENDIX A**
- The recent MATLOC revision has reduced the number of approved monthly hours for nearly all cases, hurting the highest acuity cases the most – those in greatest need of services.
  - **SEE EXAMPLE PROVIDED IN REFERENCE MATERIAL – APPENDIX B**
- A potential move toward MST/PSA (non-skilled, off the street) level of support. This non-skilled level of care is inappropriate for medically fragile cases like those in the TA Waiver program.


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ATTACHMENT: 6

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## The Impact of the 10% Rate Reduction

### To Craig HomeCare – a compromised ability to provide services in KS

- Increased costs (as explained above), combined with decreases in reimbursement rate and revenues.
- Restructuring Kansas branches, consolidating resources and overhead, eliminating four (4) management jobs.
- Implementing a wage freeze for all employees.
- Elimination of a Case Management company that served the TA waiver participants.
- Loss of direct care nursing staff due to reduction in approved hours.
- Challenges recruiting and retaining nurses due to wage compression and continued ability to offer competitive benefits.
- Potential rise in employee cost for health insurance, or a reduction in employee benefits.

### To the State

- Hospitalization rates will increase, resulting in increased costs to the State for inpatient care, costs that would be avoidable if appropriate level of care was delivered in the home.
- Loss of federal matching funds - SGF funds are multiplied by the Federal match of 57%.
- Loss of tax revenue from employer and employees.
- Increased unemployment burden.

### To Kansas Patients and Families We Serve

- Decreased quality of life.
- Less nursing coverage, job loss due to some guardians quitting jobs to stay home and care for the child.
- Families and/or patients becoming dependent on other state programs – further stressing state budget and program capacities.
- Reduced level of care results in increased risk of complications, hospitalizations, and death for the patient.

### Possible Solutions

- Research program models in other states with more viable programs, like Nebraska and Missouri.
- Explore alternatives (e.g., sales tax increase) to cutting programs that serve the states most vulnerable citizens to address the state budget shortfall.
- Craig HomeCare is prepared to work with the committee or any representative that is interested in identifying solutions to the challenges we face.


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APPENDIX A

IMPACT OF 10% RATE REDUCTION ON REVENUE AND NET OPERATING INCOME

EXAMPLE:

| | Before 10% cut | After 10% cut |
|---|---|---|
| Revenue | $100 | $100 |
| 10% Reduction | $0 | $10 |
| Net Revenue | $100 | $90 |
| *Expenses | $95 | $95 |
| Net Operating Income | $5 | -$5 |

Due to 57% Federal Match, for every $10 cut:
- $4.30 savings to State
- $5.70 loss in Federal match

The 10% reimbursement rate reduction is NOT 10% less that the owner or organization pockets, it IS a huge decrease in net revenue when operating expenses stay unchanged, resulting in a loss for the business.

*Expenses for the business have increased (per points in presentation) and include many items outside the control of the business. These expenses are the "non-reimbursable" costs of providing TA Waiver services. They include items such as:

- KS Unemployment
- Workers Compensation Insurance
- Employee Benefits (Health, Dental & other)
- Vacation, holiday, sick pay
- Overtime expenses
- FICA
- Liability Insurance
- Mileage
- Phones
- Nurse advertising for recruiting
- Background screens
- Multiple other items.....

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APPENDIX B

A letter from Dr. Linda Gratny, Director, Infant Tracheostomy and Home Ventilator Program at Childrens Mercy Hospital in Kansas City, that illustrates a scenario in which the new MATLOC Assessment is compromising care and resulting in negative outcomes for the patient and the state.

The letter is being used with Dr. Gratny's permission and client information has been omitted.

---

Re: [patient]
DOB: 9/30/05
PCP: Dr. Linda Gratny

Date: 12/08/09

Dear [TA Waiver Case Manager]:

[Patient] has been a long term patient of ours in our Infant Tracheostomy and Home Ventilator Program at Children's Mercy Hospital and Clinics. [patient] is tracheostomy dependent due to tracheobronchomalcia and respiratory insufficiency. [patient] continues to need ventilator support throughout the night not only because of her lung and airway disorder, but [patient] also has pulmonary atresia, multiple aortic collaterals, ASD, and pseudoaneurysm. She has also been diagnosed with congestive heart failure. The unfortunate nature of these cardiac disorders are ones that are not surgically repairable so close medical management is what [patient] needs at this point.

[patient] has had multiple admissions to CMH and has spent the majority of her young life in the hospital for various reasons. We, as the primary care team, petitioned in mid 2008 for her to have an increase in home nursing care hours due to [patient]'s medical conditions. Since the increase, [patient] has had a decrease in hospital admissions.

It is medically necessary for [patient] to have a minimum of 12hrs a day of home nursing care. She needs ventilator management at all times and she requires close observation of her oxygenation levels. Her tracheostomy care is daily and observation is continuous. This care requires 24 hrs a day, 7 days a week visualization due to complications that can arise from having a tracheostomy. She needs gastrostomy tube management with feeding pump nutrition. [patient] is on multiple medications and needs these medications at scheduled times. She needs continued reinforcement of her current therapies due to being severely developmentally delayed and due to her diagnosis of DiGeorge syndrome. [patient]'s mom has become a very competent caretaker but given [patient]'s continuous and severe medical conditions, she needs continued medical support that is safe and effective at all times.

Sincerely,

Linda Gratny, MD
Director, Infant Tracheostomy and Home Ventilator Program at CMH

**Description and Definition of Technology Dependent**

A technology assisted and medically fragile individual age 0 through 21 years who is chronically ill or medically fragile and is dependent upon a ventilator or medical device to compensate for the loss of vital body function and requires substantial and ongoing daily care by a nurse comparable to the level of care provided in a hospital setting, or other qualified caregiver under the supervision of a nurse to avert death or further disability.

Furthermore, the individual is hospitalized, or at imminent risk of hospitalization, whose illness or disability, in the absence of home care services, would require admission to, or prolonged stay in a hospital.

(http://www.srskansas.org/hcp/css/TADefinition.htm)

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House Long Term Care and Aging Committee
January 19, 2010
Chairman Bob Bethell

Good Afternoon Mr. Chairman and Committee Members.

My name is Cindy Luxem, Executive Director of the Kansas Health Care Association and Kansas Center for Assisted Living, a trade association with a membership of over 185 nursing homes, assisted living, residential health care, home plus, and nursing facilities for mental health. Thank you for the opportunity to testify.

Since the third week of November when the administration announced a 10% cut to Medicaid providers it has been a daily challenge to comprehend what this will mean to seniors and their communities across the state of Kansas. Long-term care has a $1.2 billion dollar annual economic impact. So when the Governor announced a 10% cut to nursing home providers is $22 million and a monumental impact across this state.

We question the decision to reduce appropriations for provider rates when we draw in roughly 70% Federal match.

We do appreciate what this legislature has done over the years to allocate funding to improve reimbursement for providers. Since 2006, when the reimbursement methodology was improved, providers started to see almost 95% of their costs reimbursed. Holding the rates flat for FY 2010 and now the 10% payment reduction will explode the level of underfunding of Kansas nursing homes from an estimated $12.00 per patient day to more than $24.00 per day. An interesting fact is if nothing is done, providers would have to raise their private pay rates by more than $22.00 per day per resident to recoup costs because of the underfunding of Medicaid.

This will close facilities. As a primary employer in so many rural areas, this will hurt communities; let there be no doubt.
Even before current reductions, three homes closed in the last year. The magnitude of cuts we are currently experiencing will lead to job loss. Staff will be expected to do more with less. Restorative care will be slowed because the staff will be tasked with "must do get done activities". And culture change activities of which Kansas leads the nation will be slowed again because often times these are employee intensive.

There is a strong correlation between the increase of average rates, an increase in quality of service, resident quality of life, and ultimately greater quality of care to the residents.

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Since 2006, there has been a marked increase in the resident reported quality of service, life and care.

Attached to this testimony, you have been provided an analysis of economic impact of long term care facilities.

Home and Community based services such as the frail elderly and physically disabled waiver services are provided in many of our assisted living homes around the state. These services are often made available to residents who have paid privately for many years, live longer than they expected, and the home helps the resident turn to Medicaid so they can stay in their current environment. Studies exist speaking to the trauma elders go through when relocation is required for their care. I have included several statements concerning this issue in some of our member buildings. You will start seeing fewer providers off the waiver services in their assisted living homes which will push people to a waiting list for these services or simply not be available because of the lack of access.

The last unique group I would like to focus on is the nursing homes for mental health. As Sec. Jordan referred to last week these kinds of homes are unique to Kansas. NF/MH's are reimbursed the same as geriatric nursing homes but their clientele is much different. The residents living in the NFMH's are screened for SPMI. There services are most often paid for by Medicaid but because of the designation of Institutes of Mental Disease (IMD) the state cannot receive Federal matching dollars for these residents so it is only SGF. I have attached the latest Medicaid rates for these homes. Even at the highest reimbursement rate, these homes are reimbursed just a little over $4.00 per hour for 24/7 care.

Thank you for the opportunity to show what is happening with providers around the state. We would certainly like to be a part of the solution.

# Nursing Home Facility Worksheet
# By Kansas Legislative House District
# House District 8

## Medicaid Cuts directly impacting the nursing home Reimbursements in your Legislative District.

**NOTE:** *Impact of Medicaid Cut* is shown as annualized numbers as provided by Consultants from BKD, LLP and does not reflect the impact of individual patient liability.

**Facility: Applewood Rehabilitation, Inc**
Kansas House District 8
Impact of the announced KDOA 10% Medicaid Cut: ($128,255.68)

**Facility: Chanute Healthcare Center**
Kansas House District 8
Impact of the announced KDOA 10% Medicaid Cut: ($176,670.82)

**Facility: Heritage Health Care Center**
Kansas House District 8
Impact of the announced KDOA 10% Medicaid Cut: ($100,834.64)

**Facility: Prairie Mission Retirement Village**
Kansas House District 8
Impact of the announced KDOA 10% Medicaid Cut: ($85,793.73)

**Total Impact of Medicaid Cuts to Facilities in District 8 ($491,554.87)**

## CONTACT INFORMATION

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# Nursing Home Facility Worksheet
# By Kansas Legislative House District
# House District 30

## Medicaid Cuts directly impacting the nursing home Reimbursements in your Legislative District.

**NOTE:** *Impact of Medicaid Cut* is shown as annualized numbers as provided by Consultants from BKD, LLP and does not reflect the impact of individual patient liability.

**Facility: Lakeview Village**
Kansas House District 30
Impact of the announced KDOA 10% Medicaid Cut: ($65,788.40)

**Facility: Delmar Gardens of Lenexa**
Kansas House District 30
Impact of the announced KDOA 10% Medicaid Cut: ($559,486.92)

**Total Impact of Medicaid Cuts to Facilities in District 30 ($625,275.32)**

## CONTACT INFORMATION

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# Nursing Home Facility Worksheet
# By Kansas Legislative House District
# House District 39

## Medicaid Cuts directly impacting the nursing home Reimbursements in your Legislative District.

**NOTE:** *Impact of Medicaid Cut* is shown as annualized numbers as provided by Consultants from BKD, LLP and does not reflect the impact of individual patient liability.

**Facility: Bonner Springs Nursing & Rehab Center**
Kansas House District 39
Impact of the announced KDOA 10% Medicaid Cut: ($150,950.33)

**Total Impact of Medicaid Cuts to Facilities in District 39 ($150,950.33)**

## CONTACT INFORMATION

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# Nursing Home Facility Worksheet
# By Kansas Legislative House District
# House District 42

## Medicaid Cuts directly impacting the nursing home Reimbursements in your Legislative District.

**NOTE:** *Impact of Medicaid Cut* is shown as annualized numbers as provided by Consultants from BKD, LLP and does not reflect the impact of individual patient liability.

**Facility: Golden LivingCenter - Lansing**
Kansas House District 42
Impact of the announced KDOA 10% Medicaid Cut: ($112,448.87)

**Facility: Tonganoxie Nursing Center**
Kansas House District 42
Impact of the announced KDOA 10% Medicaid Cut: ($190,407.74)

**Total Impact of Medicaid Cuts to Facilities in District 42 ($302,856.60)**

## CONTACT INFORMATION

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# Nursing Home Facility Worksheet
# By Kansas Legislative House District
# House District 49

## Medicaid Cuts directly impacting the nursing home Reimbursements in your Legislative District.

**NOTE:** *Impact of Medicaid Cut* is shown as annualized numbers as provided by Consultants from BKD, LLP and does not reflect the impact of individual patient liability.

**Facility: Pinnacle Ridge Nursing & Rehab Center**
Kansas House District 49
Impact of the announced KDOA 10% Medicaid Cut: ($238,447.26)

**Total Impact of Medicaid Cuts to Facilities in District 49 ($238,447.26)**

## CONTACT INFORMATION

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# Nursing Home Facility Worksheet
# By Kansas Legislative House District
# House District 60

## Medicaid Cuts directly impacting the nursing home Reimbursements in your Legislative District.

**NOTE:** *Impact of Medicaid Cut* is shown as annualized numbers as provided by Consultants from BKD, LLP and does not reflect the impact of individual patient liability.

**Facility: Emporia Presbyterian Manor**
Kansas House District 60
Impact of the announced KDOA 10% Medicaid Cut: ($110,306.00)

**Facility: Flint Hills Care Center**
Kansas House District 60
Impact of the announced KDOA 10% Medicaid Cut: ($109,642.40)

**Total Impact of Medicaid Cuts to Facilities in District 60 ($219,948.40)**

## CONTACT INFORMATION

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# Nursing Home Facility Worksheet
# By Kansas Legislative House District
# House District 66

## Medicaid Cuts directly impacting the nursing home Reimbursements in your Legislative District.

**NOTE:** *Impact of Medicaid Cut* is shown as annualized numbers as provided by Consultants from BKD, LLP and does not reflect the impact of individual patient liability.

**Facility: Meadowlark Hill Retirement Community**
Kansas House District 66
Impact of the announced KDOA 10% Medicaid Cut: ($152,839.23)

**Facility: St Joseph Senior Village**
Kansas House District 66
Impact of the announced KDOA 10% Medicaid Cut: ($232,421.73)

**Total Impact of Medicaid Cuts to Facilities in District 66 ($385,260.96)**

## CONTACT INFORMATION

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# Nursing Home Facility Worksheet
# By Kansas Legislative House District
# House District 98

## Medicaid Cuts directly impacting the nursing home Reimbursements in your Legislative District.

**NOTE:** *Impact of Medicaid Cut* is shown as annualized numbers as provided by Consultants from BKD, LLP and does not reflect the impact of individual patient liability.

**Facility: Medicalodges Wichita**
Kansas House District 98
Impact of the announced KDOA 10% Medicaid Cut: ($270,247.44)

**Total Impact of Medicaid Cuts to Facilities in District 98 ($270,247.44)**

## CONTACT INFORMATION

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# Nursing Home Facility Worksheet
# By Kansas Legislative House District
# House District 111

## Medicaid Cuts directly impacting the nursing home Reimbursements in your Legislative District.

**NOTE:** *Impact of Medicaid Cut* is shown as annualized numbers as provided by Consultants from BKD, LLP and does not reflect the impact of individual patient liability.

**Facility: Good Samaritan Society Hays**
Kansas House District 111
Impact of the announced KDOA 10% Medicaid Cut: ($127,000.99)

**Facility: St John's of Hays**
Kansas House District 111
Impact of the announced KDOA 10% Medicaid Cut: ($122,294.40)

**Total Impact of Medicaid Cuts to Facilities in District 111 ($249,295.38)**

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# Nursing Home Facility Worksheet
# By Kansas Legislative House District
# House District 113

## Medicaid Cuts directly impacting the nursing home Reimbursements in your Legislative District.

**NOTE:** *Impact of Medicaid Cut* is shown as annualized numbers as provided by Consultants from BKD, LLP and does not reflect the impact of individual patient liability.

**Facility: Woodhaven Care Center**
Kansas House District 113
Impact of the announced KDOA 10% Medicaid Cut: ($148,200.10)

**Facility: Good Samaritan Society Lyons**
Kansas House District 113
Impact of the announced KDOA 10% Medicaid Cut: ($128,384.89)

**Facility: Sandstone Heights**
Kansas House District 113
Impact of the announced KDOA 10% Medicaid Cut: ($107,514.00)

**Facility: Sterling Presbyterian Manor**
Kansas House District 113
Impact of the announced KDOA 10% Medicaid Cut: ($175,923.75)

**Total Impact of Medicaid Cuts to Facilities in District 113 ($560,022.73)**

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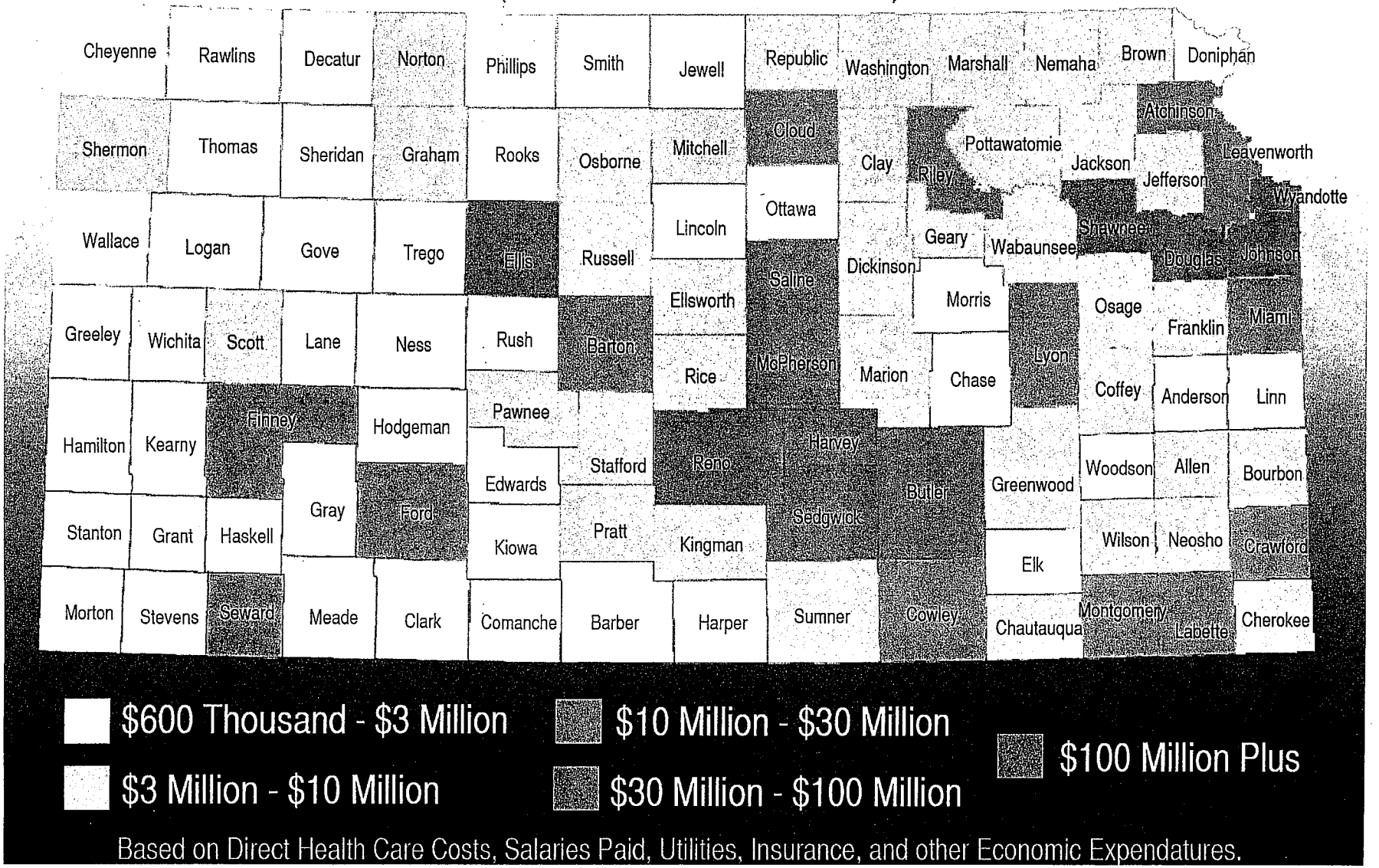
# Nursing Home & Assisted Living Facility Annual Economic Impact

## (Over $1.2 Billion Statewide)




Based on Direct Health Care Costs, Salaries Paid, Utilities, Insurance, and other Economic Expendatures.

# Kansas

| Investment/Total Funds | |
|---|---|
| State Investment | $1,000,000 |
| Federal Match[1] | $1,965,599 |
| Total Funds Available | $2,965,599 |

| Economic Impact[2] | |
|---|---|
| Total | $4,838,913 |
| Wages | $2,328,995 |
| Jobs | 87 |

| Taxes | |
|---|---|
| State and Local | $227,913 |
| Federal | $506,634 |
| Total | $734,547 |

[1] Federal match effective January 1, 2009 based on rates published in Federal Register, April 21, 2009.

[2] Economic impact analysis using Impact Analysis for Planning (IMPLAN) software, Minnesota IMPLAN Group, Inc., 2007 data

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**The estimated economic impact for Kansas is a reduction of $80.2 million in business activity, a reduction of $38.6 million in labor income, and a loss of 1,443 jobs. The following schedule illustrates the direct, indirect, and induced impact of this cut in reimbursement on the state of Kansas.**

## Economic Impact of Medicaid Nursing Facility Payment Cutback – 2010
## Kansas

| | Direct | Indirect | Induced | Total |
|---|---|---|---|---|
| Business Activity Impacts ($) | $49.1 million | $10.3 million | $20.8 million | $80.2 million |
| Income Impacts ($) | $29.2 million | $3.0 million | $6.4 million | $38.6 million |
| Employment Impacts (Jobs) | 1,162 | 84 | 197 | 1,443 |

Direct Effect represents the impact (e.g., change in employment or revenues) for the expenditures and/or production values specified as direct final demand changes.
Indirect Effect represents the impact (e.g., change in employment) caused by the iteration of industries purchasing from industries resulting from direct final demand changes.
Induced Effect represents the impacts on all local industries caused by the expenditures of new household income generated by the direct and indirect effects of direct final demand changes.
Total Impact is the sum of the direct, indirect, and induced effects. Labor Income is the sum of employee compensation and proprietary income.
Economic Impact Analysis: Impact Analysis For Planning (IMPLAN) software, Minnesota IMPLAN Group, Inc., 2007 data.

Dear Sirs

My name is Martha. I am 96 yrs old and have called the assisted living home for the last 12 yrs. I came to the assisted living community after my husband died. My children and I chose the community for a number of reasons, but I fell in love with the community. My husband was a pastor before he died, we raised three children who currently are in their seventies, this is important when you reach my age. My children are all retired and living on a fixed income as am I. As you can imagine, being a widow of a pastor we did not have much money, or savings, but we worked hard and never relied on the government we paid our own way, until I had to go on Medicaid as my life savings depleted. Who knew that I would live to be 96.

I have just been informed that there are going to be cuts to Medicaid, I want you to know what impact this is going to have on me. As I have told you I am 96 yrs old, and I have made this my home. I moved here in 1998 I was private pay for 6 of those years, I had a large one bedroom which was 344 sq feet, then six years later my money was gone and I needed help. The people who own the assisted living community did not just take my money and when it was gone, up root me and make me move, they did however have me move to a smaller apartment approx 274 sq feet. Now to get into this apartment I had to give up furnishings that I had from the time my husband and I married. They were beautiful and reminded me of my life with my husband, but I was willing to give it up so that I would not be a burden to my children or family. Again, my children were in their 60's and they were looking at retirement and living on fixed incomes themselves and could not afford to supplement me. So I had to turn to Medicaid. I was grateful to the community that they accepted Medicaid and I was able to stay, they have cared for me and have given me a beautiful place to call home, the staff here are wonderful. I could not ask for a better place to live out my life. I have made friends and when you get to be my age that is a rare thing. I have over the years made lots of friend and unfortunately out lived some of them, but I was there when they passed away and was able to comfort them and their families, and can not think about the fact that I may not be able to live out my life without the ones I have left. I have had a lot of losses over my 96 year and now am faced with the possibility of losing my home and friends because of these cuts. I have been happy here and a do not want to go any where else. I want to live out my life, what life I have left, with the people that I have called my family and the place that I call home.

The real impact is that I may not have the opportunity to finish out my life here, due to the budget cuts being implemented by the State of Kansas and hope that each one of you understands that this will impact thousands of Senior Citizens and their families across our state. Please think of this when you are asked to vote. It is not just the bottom line for us it is our lives.

Thank you

Martha

## Cindy Luxem

**From:** Administrator Vintage Park Lenexa [avintageparklenexa@skilledhc.com]
**Sent:** Wednesday, December 02, 2009 10:06 AM
**To:** 'khca@khca.org'
**Cc:** Denise German
**Subject:** Medicaid provider cuts

To Whom it May Concern:

It has been announced that Governor Parkinson intends to cut Medicaid rates to providers by 10%. This is of great concern to the providers of healthcare in our state. As an assisted living operator and a former HCBS case manager, I strongly fee this will negatively impact both the providers and the Medicaid recipients.

As an assisted living provider, I am already operating at a loss on Medicaid recipients. Currently, my resident population is 55% Medicaid; a high percentage in this geographic area. Most facilities are limiting the number of Medicaid residents that they will accept due to the loss in revenue; thereby limiting access to equitable services. On average, my facility loses $500 per month per Medicaid resident in revenue prior to the proposed cuts. These residents' families are often assisting with the room and board charges in addition to paying for any over the counter medications, incontinence products, nutritional supplements, and personal needs that the resident's protected income level does not cover. Most of these items are covered in nursing facilities under their per deim rate. Additionally, assisted living residents are not allowed the $60 per month they are allowed to keep in nursing facilities. Furthermore, there are several types of care that can be authorized under HCBS for residents in their own homes that cannot be authorized to residents in assisted living facilities. For example, the most an assisted living facility can be authorized to receive under HCBS is 12 hours of "level two attendant care". In the community, for clients that meet certain functional criteria, time can also be allocated under "comprehensive support" and "sleep cycle support" for a maximum of 24 hours per day. While assisted living facilities provide those services, they are expected to for no additional reimbursement. Lastly, assisted living facilities are not considered as community living opportunities for the purposes of the Money Follows the Person project. Many residents of nursing homes would do well in assisted living facilities whereas they would fail in a more independent setting; primarily due to the lack of informal supports or the inability to consistently provide staff in the community. These residents then remain in a more expensive and more restrictive setting.

Thank you,

Jayne Heilman, BSW, MBA
Director
Vintage Park at Lenexa



9-17

**Actual HCBS Resident of an Assisted Living in Topeka**

| | |
|---|---|
| **Monthly income** | **$1,738** |
| **Resident's protected income level (set by state)** | **$ 747** |
| **(Room and board is negotiated out of this amount)** | |
| **Other allowable expenses for this client** | **$ 264** |
| **(Supplemental insurance, burial plan, etc)** | |
| **Remainder is Resident's "client obligation"** | **$ 727** |
| **(Portion that a resident pays toward care)** | |

**Room and board for this apartment is $1400/month, but negotiated down to $700 (due to amount of "protected income" at $747). This family is unable to supplement this amount.**

**Total Revenue for Room and board $700**

**Area Agency on Aging Case Manager authorized 60 units of care per week at $3.73 per 15 minute unit**

**Bathing.....4 units/wk**
**Meal preparation.....28 units/wk**
**Shopping..... 4 units/wk**
**Laundry/housekeeping.....12 units/wk**
**Medication management.....12 units/wk**
**Plus $26.52/mo for emergency response system**

| | |
|---|---|
| **Total amount billed for monthly care services** | **$921.72** |
| **Amount paid by client obligation** | **$727.00** |
| **Amount paid by HCBS** | **$194.72** |
| **Amount reduced by 10% Medicaid Cuts** | **($ 19.47)** |
| **Total Revenue for services** | **$902.25** |

***Total Revenue***

| | |
|---|---|
| **Total Revenue for Room and board** | **$700** |
| **Total Revenue for services** | **$902.25** |
| | **$1602.25** |

**Private Pay Resident in comparable apartment with comparable needs:**

| | |
|---|---|
| **Room and board (includes laundry, housekeeping, meal preparation)...** | **$3,000** |
| **Medication management.....** | **$ 180** |
| **Bathing.....** | **$ 144** |
| **Total monthly charges for this resident** | **$3,324** |

***Private Pay Vs HCBS***

| | |
|---|---|
| | ***$3324.00*** |
| | ***$1602.25*** |
| | ***$1,721.75 loss per month*** |
| | ***$20,661 per year for one HCBS client*** |

7-18

KANSAS MEDICAID/MEDIKAN RATE LISTING
(JANUARY 01, 2010 RATE EFFECTIVE DATE)

| Provider Name | City | NF Rate | Medicaid CMI |
|---|---|---|---|
| Applewood Rehabilitation | Chanute | $77.92 | 0.7698 |
| Golden Living Center - Edwardsville | Edwardsville | $117.33 | 0.8878 |
| Golden Living Center - Eskridge | Eskridge | $99.86 | 0.7968 |
| Lakewood Senior Living of Haviland | Haviland | $86.16 | 0.6433 |
| Medicalodges Paola | Paola | $111.92 | 0.7309 |
| Westview Manor of Peabody | Peabody | $79.79 | 0.6333 |
| Brighton Place West | Topeka | $102.30 | 0.7547 |
| Countryside Health Center | Topeka | $106.11 | 0.6911 |
| Providence Living Center | Topeka | $92.61 | 0.7440 |
| Brighton Place North | Topeka | $88.65 | 0.7326 |
| Valley Health Care Center | Valley Falls | $114.77 | 0.6550 |

KAHSA

*creating the future of aging services*

**To: Representative Bob Bethell, Chair, and Members of House Aging and Long Term Care Committee.**
**From: Joe Ewert, KAHSA Government Affairs Director**
**Date: January 19, 2010**
**Re: Medicaid Reimbursement**

## Impact of Medicaid Cuts to Not for Profit Nursing Homes

Thank you, Chairman Bethell and Members of the Committee. I am Joe Ewert and I am Government Affairs Director for the Kansas Association of Homes and Services for the Aging (KAHSA). KAHSA represents 160 not-for-profit nursing homes, retirement communities, hospital long-term care units, assisted living residences, low income housing and community-based service programs that serve more than 20,000 older Kansans every day.

Medicaid reimbursement to nursing homes is calculated through a cost based system. In 2009 the statutory requirement to rebase rates according to new cost data was suspended, holding nursing home reimbursement to the average of the costs they incurred during 2005, 2006, and 2007. In response, nursing homes across the state looked for operational efficiencies and other options to compensate for the losses they incurred serving Medicaid residents, such as renegotiating vendor contracts, freezing staff pay increases, delaying improvements to their campus, and reducing staff training and education expenses.

The recent Governor's allotment cut an additional 10% from reimbursement. On average, not for profit nursing homes are suffering a shortfall between reimbursement and actual costs of $31 per beneficiary per day, or over $11,000 per beneficiary per year. The amount of staff time available to each resident is known to be the greatest factor contributing to quality in nursing homes. Likewise, staff turnover is a strong factor contributing to lower quality of care. KAHSA members have made great strides in improving their working environments and enjoy 20% less turnover than the field at large. Unfortunately, with 70% of nursing home costs directly attributable to employing Kansans, our members have few options to absorb the level of funding cuts made to the Medicaid program. While our members are dedicated to providing quality care and to protecting their employees from layoffs, this 10% reduction in reimbursement is translating into job losses across Kansas.

The effects of the cuts to the Medicaid program are not yet fully known, however it is clear the reduction of state Medicaid funds, coupled with the massive forfeiture of matching federal funds has the potential to have very negative consequences on nursing homes, their communities, and the residents they serve.

Thank you for your efforts to investigate the impact of the cuts to the Medicaid program.

785.233.7443
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HOUSE AGING & LONG TERM CARE
DATE: 1-19-2010
ATTACHMENT: 8

Tom Bell
President and CEO

To: House Aging and Long Term Care Committee

From: Chad Austin
Vice President, Government Relations

Date: January 19, 2010

RE: Medicaid Budget

Thank you for allowing me to share with you the thoughts and concerns of the Kansas Hospital Association regarding the Governor's November decision to reduce Medicaid provider reimbursement rates to providers by 10 percent. Kansas hospitals have experienced the effects of the state's deteriorating economy since it began. Increases in the number of patients treated without any or insufficient insurance have led to alarming increases in bad debt expenses and charity care requests. Payment cuts of the magnitude ordered by the Governor will only exacerbate this already deteriorating financial situation.

Kansas hospitals recognize the seriousness of the state's financial situation and the need to make adjustments to the budget. However, the decision to reduce Medicaid payments is just bad health policy. Medicaid payments to providers are already significantly below the costs of providing care. In fact, outside of the hospital provider assessment program, which Kansas hospitals helped establish to take some of the pressure off the state general fund, the Kansas Medicaid program has not provided a rate increase to hospitals and physicians for over 10 years. To the extent possible, hospitals must shift these costs and losses to everyone else that gets care, resulting in higher costs, higher insurance premiums and higher local taxes for much of the state.

There is simply no question that, given the magnitude of these cuts, access to health care in our state will be impaired, resulting in people receiving care in more expensive settings. Every single provider affected by these cuts will seriously consider whether they will be able to continue to provide the same services currently being provided. And the services that will be limited will affect everyone, not just Medicaid beneficiaries.

To compound matters, the significance of the cuts ordered is magnified because of the federal matching funds involved. As a result, when the state saves $3 through these cuts, we are actually cutting provider reimbursements by $10, over three times as much. The full amount of the Medicaid cuts would reach approximately $217 million in state fiscal year 2011; of which, nearly $140 million would have been paid through federal funds. How such a situation makes any sense as sound health care policy is impossible for us to understand. We urge the legislature to use all means available to assure that Kansas can protect the federal share of Medicaid, particularly in the face of these difficult state cuts.

Health care providers are under considerable financial pressure in the best of times. Hospitals, unlike other sectors of the state's economy, must continue to provide services to everyone who shows up at their door regardless of their ability to pay. Because of that, it is vital that hospitals remain financially viable. This will be extremely difficult, if not impossible, when asked to absorb a decrease in reimbursement of nearly $217 million next year.

Thank you for your consideration of our comments. I would be happy to stand for any questions.