

Ensure Availability Of Quality Nursing Care Commentary

David G. Stevenson, Joshua M. Wiener



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Joshua M. Wiener and David G. Stevenson are researchers in long-term care and Medicaid at the Urban Institute in Washington, D.C.

When President Clinton signed the Balanced Budget Act last July, the floor on nursing-home reimbursement rates for Medicaid residents was abolished.

For 18 years the "Boren Amendment" required states to cover the cost of an "economically and efficiently" run facility that met quality and safety standards. With these rules gone, states now can cut nursing-home reimbursement dramatically to keep spending down.

Under Medicaid, nursing homes are paid more than \$30 billion a year to help care for the almost 70 percent of nursing-home residents impoverished enough to qualify. But these rate cuts are no substitute for fundamental reforms. They could make quality care harder to get for America's 1.7 million Medicaid nursing-home residents.

Boren standards appeared minimal, but states have long complained that the rules were impossible to carry out. How do you identify an "economical and efficient" provider? Further, more spending was not worthwhile because every new Medicaid dollar paid to nursing homes did not produce a dollar's worth of improved access or quality care. Inefficiency, profit-taking, fraud, and abuse all took their toll.

Worse, courts often were generous to the industry. Medicaid officials felt overwhelmed by the firepower of industry lawyers. The threat of a lawsuit became nearly as influential as an actual lawsuit. As a result, available funds were spent on nursing homes rather than home care.

Does this mean that Medicaid nursing-home payment rates have been too high? Not compared to Medicare and private-pay rates. That's one problem.

In 1995 average daily nursing-home rates for Medicare were almost 50 percent higher than those for Medicaid - \$120 vs. \$85. What's more, residents paying their own tabs pay roughly 15 percent more than Medicaid rates. Small wonder that nursing homes prefer self-pay residents and that Medicaid applicants seeking care often go to the end of the line.

As states cut reimbursement rates, problems of access and quality could worsen. In addition, there is probably some reimbursement level below which adequate care just can't be provided. Care is better now than it was 20 years ago, but many facilities are under fire. Without the Boren safeguards, nursing homes could find themselves held to high standards but not paid enough to meet them.

Because these are matters of degree and discretion, the question now is, How much will Medicaid nursing-home rates actually be cut? Some industry representatives believe that the change could be big enough to "tear the nation's long-term-care system apart" due to understaffing, poor quality, and lower profits. On the other hand, the industry may have enough clout to maintain rates without federal standards. Because of this political muscle, the Congressional Budget Office estimates that Medicaid spending will fall by only 1 percent over five years.

Don't bank on either prediction. The appeal of cutting reimbursement rates is a quick and predictable fix to Medicaid-budget problems. But these savings could reduce access and quality for nursing-home residents.

As the population ages, states need a balanced strategy for reform. Instead of treating Medicaid nursing-home rates as a safety valve, the wiser course is to experiment with other options, including expanding home care and extending managed care to include long-term care.

It's too soon to say how much money these efficiency-minded initiatives can save. But compared with reimbursement rates to fit a predetermined budget target, they put far fewer vulnerable people at risk.

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