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## MEMORANDUM

**TO:** Senate Appropriations Subcommittee on Community Health/Human Services  
**FROM:** Melissa Samuel, President/CEO, HCAM  
**DATE:** March 11, 2020  
**SUBJECT:** 2021 Executive Budget – Nursing Facility Medicaid Reduction

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I would like to thank Senator MacGregor and Committee members for the opportunity to testify today.

I'm Melissa Samuel, President/CEO of the Health Care Association of Michigan (HCAM), representing more than 350 skilled nursing facilities throughout the state.

This year's executive budget calls for a significant reduction in funding for Medicaid beneficiaries residing in nursing facilities. This \$84 million cut equates to \$30 million in general fund dollars. The budget assumes these savings as a result of moving to a new reimbursement system by October 1, 2020 in just a matter of months – which is virtually impossible to do.

HCAM has serious concerns with this budget proposal – an \$84 million cut will be devastating to the profession and the seniors we serve.

It is unfair to providers to make a significant cut to reimbursement while at the same time completely overhauling the current reimbursement system.

The department and the administration have indicated the proposed reductions were made in a way to not impact services. It is unrealistic to believe, however, that cutting reimbursement will not impact patient care.

Ours is a profession of people caring for people - nearly 75% of costs in a facility are for the wages and benefits of staff. In order for facilities to absorb this cut, they will have little choice other than making staffing changes, including layoffs. Does anyone question the fact that there are significant workforce shortages in health care, and specifically in nursing facilities? This cut will compound these challenges. Quality staff drives quality care, and reducing investment in staff will certainly impact services.

Facilities with more Medicaid beneficiaries – most often in the inner city and rural areas – will be hit the hardest by this cut, and the care to residents will be effected. It is possible that facilities hit the hardest could be forced to shut their doors, and many seniors will be unable to receive the skilled nursing care they need.

It is bad public policy to cut funding for services to seniors to pay for new initiatives, including the formation of a Medicaid transformation office and a redundant options counseling program that is already being provided to seniors by the MI Choice Waiver program. Additionally, it is irresponsible to assume a savings of \$84 million from a reimbursement system that has yet to be determined.

HCAM understands the department's goal to develop a new reimbursement method. We are working with the department to develop a system that achieves both quality care and budget predictability.

The department has recommended using the patient driven payment model, or PDPM. PDPM is the new Medicare reimbursement system effective October 1, 2019 – it is how nursing facilities are paid for services provided to short-stay residents. It was developed by the Centers for Medicare and Medicaid Services (CMS) in conjunction with providers over a number of years, and providers were given 18 months to prepare for its implementation. It was designed to be budget neutral – it did not include funding cuts. We have serious concerns with using a Medicare reimbursement system designed for short stay residents when a very different population is covered under Medicaid.

Data has not yet been compiled and analyzed to determine the impact of this new reimbursement system. We cannot assume that using PDPM for Medicaid reimbursement will result in the savings suggested in this proposal, or that PDPM will appropriately reimburse for care provided to a population it was not designed to include.

As I said, it is entirely unrealistic to believe that providers and the state will be able to develop and be prepared to implement a new system by October 1 of this year.

The executive budget proposal cannot be implemented without causing serious disruption to services. Instead of cutting reimbursement and rushing to a new system, funding should be maintained as we work together to develop a new one.

Thank you for the opportunity to testify on this important issue.