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New Study Finds Nursing Homes on the Brink *Congressional cuts could push skilled nursing centers into the red*

Washington, DC – At a time of economic struggle and continuous rounds of government funding reductions, skilled nursing facilities are in danger of falling into the red, finds a new study by The Moran Company. The analysis commissioned by the American Health Care Association (AHCA) reaffirms what previous studies have shown – that nursing homes are already operating under razor-thin margins. Additional cuts to the sector, which are plausible through end-of-the-year budget bills currently being debated in Congress, would result in a negative margin for facilities, threatening America’s seniors and individuals’ with disabilities access to skilled nursing care.

“This study demonstrates that skilled nursing facilities have already shared in the sacrifice in terms of government reductions,” said Governor Mark Parkinson, President & CEO of AHCA. “If additional cuts occur, many facilities will have to make difficult decisions which could then restrict access to care, only costing the American taxpayer more through increased emergency room visits. Preventing cuts to skilled nursing care is not about protecting profits. It’s about protecting patients, and our nation’s seniors and individuals with disabilities deserve the utmost care.”

The Moran Company analysis - *Assessing the Financial Implications of Alternative Reimbursement Policies for Nursing Facilities* - found that nursing homes nationwide were operating at a margin of 0.75 percent of revenues in 2009. The study’s finding comes within the margin of error of the 2011 *Report to the Congress: Medicare Payment Policy* from the Medicare Payment Advisory Commission (MedPAC), reaffirming that skilled nursing facilities are operating on a thin margin.¹

The study also weighed the possible effect of additional cuts to the sector, finding that changes to reimbursement policies would turn margins consistently negative. Such reimbursement policy changes include a two-year suspension of market basket (cost of living) adjustments and a 25 percent limit on the federal government’s coverage of costs from bad debt Medicare patients. The Moran study found that these combined cuts could result in nursing facility margins falling as low as -3.1 percent over a 10-year projection.

The Moran Company states, “While our analysis demonstrates the possibility that the industry might be able to weather reductions of this magnitude, it makes clear the substantial degree of uncertainty surrounding the industry’s ability to actually do so.”

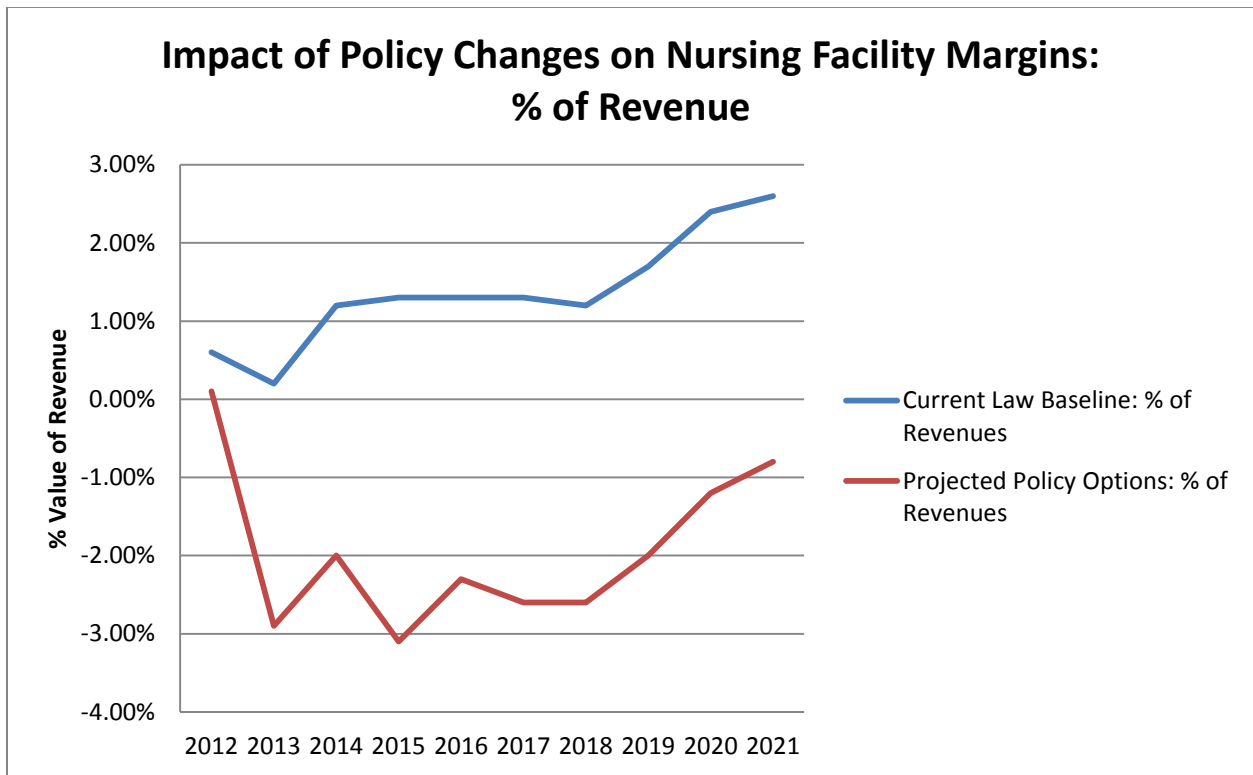
Before the end of the year, Congress must address numerous budget issues, including the Medicare physician fee schedule, known as the “doc fix.” Skilled nursing facilities could be

¹ http://www.medpac.gov/documents/Mar11_EntireReport.pdf

targeted as a possible pay-for for the doc fix or a complete budget package through additional Medicare cuts. However, the sector has already faced billions of dollars in reductions through health care reform, state Medicaid crises, regulation changes and most recently, sequestration through the super committee. AHCA commissioned The Moran Company to learn the effect of the possible additional reimbursement changes to the profession and warn lawmakers of these effects.

“Many may not want to mention margins when it relates to health care providers, but the fact of the matter is without a margin, it’s just not possible to keep operating,” concluded Parkinson. “Congress must understand that additional cuts to skilled nursing care threaten this critical role we play in the health care continuum.”

Below is a chart depicting the impact combined cuts would have on skilled nursing facilities’ margins:



Graphic by AHCA Public Affairs

The Moran Company’s [full report](http://www.ahcancal.org/research_data/trends_statistics) can be read on the AHCA website under Research and Data: http://www.ahcancal.org/research_data/trends_statistics.