MEMORANDUM

TO: State Executives
AHCA Board of Governors
Council for Post-Acute Care
Regional Multifacility Council
Independent Owner Council
Past Chairs
PAC Committee
PIC Committee
Not-for-Profit Council
DD Committee
Council of States
Finance Committee

FROM: Mark Parkinson, President & CEO

SUBJECT: The Battle Continues: The Multiple Threats We Face

DATE: July 7, 2011

Last Monday we filed our response to CMS’s proposed 12.8% cut in the sector’s Medicare rates. It embodied an enormous effort on the part of our membership and our staff. The comments themselves were a reflection of hundreds of hours of analysis, debate, study, and drafting. The end product of this dedication is a very compelling argument.

As we prepared the final document, our members and their staffs were providing all the necessary data to support the comments. You sent thousands of letters to Congress—15,594 to be exact—all encouraging Congressional Members to contact CMS on our behalf. We coordinated scores of meetings, and we were met with success. In all, 152 members of Congress, both Republican and Democrat, wrote to CMS in support of our message. In these days of partisan bickering, that is a truly remarkable feat.

But the battle has only just begun. All of this effort is merely a preview of the enormous response we will unleash. We must fight on.

This memo recaps where we stand on both the Medicare and Medicaid challenges, and what you can do to help.
MEDICARE

Our principal Medicare challenge is the NPRM. It is possible, but unlikely, that the government will cut Medicare generally as part of a budget deal. Our focus will continue to be the NPRM.

AHCA has offered a solution that satisfies the government’s goal of budget neutrality, but reaches that desire without devastating our profession. We continue to push that solution to the highest levels of HHS, CMS and the Hill.

In normal times we would have a CMS decision on August 1. Obviously, these are not normal times. This parity adjustment has now become a part of the debt ceiling debate/negotiations. It is possible that the Hill will intercept this issue and ultimately make the decision. House and Senate leaders would do this so that Congress could get “credit” for the cut and use the difference to raise the debt ceiling or pay for other public programs. This particular scenario is the reason we continue to push both CMS and the Hill. We want a favorable result, regardless of who makes the decision.

There will be much more clarity on this issue by August 1. If CMS retains the decision, we will know exactly where we stand on that date. If the Hill intervenes and uses any savings from the NPRM to lift the debt ceiling, we will also have clarity in early August. This underscores why the time to push our case is now.

MEDICAID CUTS

Unfortunately, Medicaid is also caught up in the debt ceiling debate. It is evident that there are cuts of up to $200 billion on the table. Keep in mind that the $200 billion in reductions would occur over a 10 year period; the actual cuts in the first year are less than one-tenth of that figure. Further, it is important to remember that not all the money would come from nursing homes and assisted living facilities. Hospitals, home health, doctors, and other professions would share some of the burden. Nevertheless, these are significant numbers.

At least two proposed changes would directly impact our sector. The first is a single, blended, federal Medicaid match rate. Right now the government has two rates for each state’s Medicaid match: the regular match and the higher CHIP match. Beginning 2014, there also will be the new eligible 100% match. The proposal is to shift to one blended rate for each state and then lower that blended rate. The system would be simpler, but states would receive less federal money overall.

Each state would have to decide what to do with less Medicaid funds. Obviously, many would cut Medicaid services. We would then have to fight for our fair share of funding. While the formula for establishing the rate is not yet known, it is anticipated that all states would see their overall Medicaid funding decrease.

The second change is a paring back of the provider tax. The best intel indicates that the proposal would, starting in 2015, lower the maximum provider tax to 4.5% (from 6%) and then down further to 3.5% over the next couple of years.

Because we have over 30 states with provider taxes in excess of 3.5%, this would directly impact us. As we continue to learn about these proposed changes to Medicaid, AHCA pledges its support to our state
affiliates. We will work to help states in the Medicaid fight in any way they may need it. They are the experts on Medicaid funding issues, as they take on this battle every year.

WHAT WE ARE DOING AND HOW YOU CAN HELP

AHCA will not sit back and watch this happen without a fight. And we know you can help.

First, we have activated our grassroots program on the Medicaid issue. A call is now out to over 88,000 people in our Capwiz database, encouraging them to write letters to Congress against these threats. Just as we generated over 15,000 letters on the NPRM, we must match and exceed that result on the Medicaid challenge.

Second, we will have over 400 of our members in town for Congressional Briefing, and we will blanket the Hill. We will literally have a constituent in every Congressional office. Our message will be simple: We can’t take these cuts. Medicare cuts, and now Medicaid, on top of the fiscal crisis we are experiencing in the states will harm the sector, our patients, our employees and the economy.

As you know, no one in long term care can deliver on the first two items like AHCA can. And that is because of our broad-based and active membership. We thank you for making this possible.

Third, we will continue our high-level discussions with both the Administration and Congressional leaders.

Fourth, we have a media strategy that involves both earned and paid media that will support all of our efforts.

Once again, we need your help. If you are attending Congressional Briefing, thank you for your active and timely participation. Whether you are coming or not, we need your help with our grassroots efforts.

Please visit http://www.capwiz.com/ahca/issues/alert/?alertid=51150531&type=CO to learn how you can help.

Finally, we need your continued help with our political efforts. This year, we have already hosted 83 events, including 41 in our members’ own districts. Please keep a watch for upcoming events and contact us to learn how to participate.


There has never been a greater need for your participation in AHCA and all of our efforts. Let’s show these policymakers why they need to do the right thing.

Mark