

FY 2012 State Budget Medicaid Cuts

Background: For over a decade LeadingAge New Jersey and its members have been faced with state budget proposals containing deep cuts to the Medicaid nursing home program such as the 3.3% cut in the Governor's initial proposal released back in February 2011. However, this year the outcome was very different due to the fact that the Governor vetoed the funding that was restored by the Legislature through the passage of the FY 2012 State Budget and the Legislature subsequently failed to override the veto in June 2011. As if the cut was not devastating enough, the state then delayed calculating the rates until October 2011 when nursing homes received their annual rate letters and discovered that the cuts were far more than the original 3.3% proposed with the average being 4.8% and some as high as 10%. Moreover the cuts were made retroactive back to July 1, 2011 when the budget took effect therefore placing providers in a position of owing a large lump sum of money for the first quarter of the fiscal year and greatly reduced per diem rates moving forward.

Impact: Despite the intensive efforts of the association and the legislature to restore the funding, once the state budget was finally enacted **providers were forced to quickly develop contingency budget and cost cutting plans in anticipation of the 3.3% cut such as freezing salaries, reducing benefits, requiring employee benefit contributions, reducing non essential resident services like activities and social transportation, etc.** This was particularly difficult for non-profit and government sponsored homes that have little or no margins to offset or absorb the impact of the cuts. Since the actual rates were released in October that contained much higher cuts, many **providers now have no choice but to take more severe steps like laying off workers, completely eliminating resident services, halting admissions of Medicaid beneficiaries and, in some cases, possibly closing their doors!**

In her testimony during public hearings held both before and since the passage of the budget, former Commissioner of Human Services and current LeadingAge New Jersey President and CEO Michele Kent (Guhl) summed the situation up perfectly when she stated; ***"As a nation and a state, we are on the leading edge of a huge tsunami of senior residents. The fastest growing cohort of our citizenry is the 100 + population. We shall need a strong infrastructure of high quality facilities and programs available to care for this predictably massive influx of elderly. This is not the time to cut, and thereby undermine, any part of our increasingly important system of supports for this population."***

Recommendation: LeadingAge New Jersey and its industry colleagues have requested that a **Supplemental Appropriations be swiftly introduced restoring the funding (approximately \$19 million state funding) above and beyond the 3.3% cut contained in the FY 2012 signed into law by the Governor effective July 1, 2011.**

Key Talking Points:

- New Jersey has historically had one of the lowest Medicaid reimbursement rates in the country.
- New Jersey effectively “froze” the Medicaid nursing home rate for 3 years at 2008 levels in order to remain “budget neutral” so that it could work with the industry to create and implement a more equitable and cost effective “Case Mix” system that rightfully focused funding on direct resident care costs. These cuts are in direct conflict and represent a betrayal of the state’s commitment to that policy.
- Medicaid is one of the only programs that generates matching federal dollars so every state dollar cut results in the loss of an additional federal dollar that could be spent on resident care. In this economy New Jersey can not afford to leave federal dollars on the table.
- Additional cuts to Medicaid reimbursement will force providers to curtail admissions to beneficiaries which will result in restricting access to necessary services for the poorest and frailest residents in the state.
- Jobs will be lost and the state’s unemployment rate will increase as a direct result of these Medicaid cuts.
- The quality of health care services and indeed the quality of life for all nursing home residents will suffer because of these cuts.

RESOURCE CONTACT: For additional information regarding this issue or any public policy matter impacting seniors and providers in New Jersey please contact Frank Byrne, Vice President, at 609-452-1161 or fbyrne@leadingagenj.org .