CONTACT YOUR STATE SENATOR AND ASSEMBLYPERSONS TODAY!

Urge them to increase funding in the SFY 2015 Budget!!

ACTION ALERT!!

Legislative leaders are now busy developing FY 2015 State Budget legislation and are drafting resolutions required to make changes to the Governor's budget proposal. It is IMPERATIVE that legislators hear from you now.

Please send your letter today urging them to support increased funding for long term care facility Medicaid reimbursement. So far only 465 people have contacted their legislators. That averages out to only six contacts per legislative district - that is not enough to get their attention.

Keep in mind that Managed Long Term Supports and Services starts July 1. That means facilities will be caring for sicker individuals as managed care organizations keep Medicaid beneficiaries at home, in the community, longer. Current reimbursement is insufficient to handle patients who are coming into your facilities even sicker than those for whom you are already caring.

Please contact your legislators today.

Please contact your legislators!

By phone: Go to capwiz.com/ahca/nj/home/ to locate your legislators' phone numbers by entering your address and then clicking on the name of your State Senator and two members of the State Assembly. Use the attached talking points during your call.

By e-mail: Go to http://www.capwiz.com/ahca/nj/issues/alert/?alertid=63208696 to send a letter to all your legislators at once in just a minute.

Meet with the them: Go to capwiz.com/ahca/nj/home/ to locate your legislators' contact information by entering your address and then clicking on the name of your State Senator and two members of the State Assembly. Call and set up an appointment to meet with them using the attached packet of information.

If you meet or call your legislators, please contact our office afterward to let us know the result of your meeting/conversation.
HCANJ FY 2015 State Budget Request Talking Points

On July 1st New Jersey will transition to Managed Long Term Care. With state skilled nursing providers already among the most under-funded in the nation (47th), the failure to provide an increase may compromise the success of this new system and jeopardize quality care for its poor, frail and elderly citizens.

When announcing this implementation date in his proposed Fiscal Year 2015 State Budget, Governor Christie said that the objective is to “allow older New Jerseyans to maintain their independence and receive care in the community in their homes for as long as possible.”

Enabling people to remain in their homes for as long as possible is a laudable goal. But this means assisted living and nursing facilities will now be caring for individuals who are sicker than those they are caring for now. Unfortunately, the State budget proposal does not provide the increased reimbursement these facilities need to care for sicker Medicaid beneficiaries.

**Assisted living facilities** have had only one Medicaid reimbursement increase in the past sixteen years. That was seven years ago when the rate was increased from $60 to $70 a day for each Medicaid beneficiary.

- An additional $3 million State dollars is needed to provide assisted living facilities with a $5 a day increase in their Medicaid reimbursement—money needed to care for sicker residents.

**Nursing facility** reimbursement is now less than it was six years ago. It averages only $8.51 per hour to cover the cost of, not only room and board for each Medicaid beneficiary, but also 24-hour nursing care, dietary supplements and assistance with activities of daily living such as eating, bathing, dressing, toileting, personal hygiene and mobility. Nursing facilities now receive an average of $41.28 less per day than what it costs to care for each Medicaid beneficiary.

- Another $17 million in State funding is needed to help nursing homes cope with the higher cost incurred caring for sicker residents.

**Special care nursing facility funding** is also woefully inadequate to address the complex medical needs of patients: children who require highly skilled pediatric care; persons who are ventilator-dependent, afflicted with AIDS, survived a severe brain trauma, or struggle with Huntington’s Disease; and quadriplegic and paraplegic young adults. Their reimbursement has not had a meaningful increase in several years and is based on 2006 cost reports.

- Adding $4.9 million more for special care nursing facilities would more appropriately compensate these facilities for the higher cost of care that they encounter caring for very medically fragile individuals.

Please support the $24.9 million increase in State funding that long term care facilities need to care for the sicker individuals they will see under managed care.
State Fiscal Year 2015
Budget Lobby Packet
HCANJ FY 2015 State Budget Request--$24.9 Million Additional State Funding.

$3 million increase for assisted living facilities, comprehensive personal care homes and assisted living programs. The intent here is to provide a $5 per diem increase over the current $70, $60 and $50 per diem reimbursement provided, respectively, to these providers in order to keep them viable under MLTSS and providing care of individuals with more complex health care needs. The last time rates were increased was in 2007 and this would be only the second increase in 16 years.

$17 million increase in State funding for nursing facilities. The case mix index (CMI) system adopted by New Jersey in 2010 was intended to target money to facilities caring for the sickest people. This policy objective has been thwarted, however, by fiscal constraints and efforts to prop up the rates of facilities whose rates were slated to go down because their residents were not as sick. In short, facilities that made the investment to care for sicker residents in accordance with the case mix system never received the full reimbursement to which they were entitled. The additional funding represents a 2.5 percent increase over FY 2014 funding and helps would help bring the reimbursement that these facilities receive closer to offsetting the higher cost that they incur caring for sicker residents.

$4.9 million increase in State funding for special care nursing facilities (SCNFs). This is based on the 7.5 percent federal Medicare Market Basket Update over the past three years. SCNF rates have essentially been frozen since FY 2009. Moreover, reimbursement is based on 2006 cost reports, so a meaningful increase is long overdue.

The overriding theme of these requested amounts is to more adequately cover the cost of caring for Medicaid beneficiaries in the most appropriate setting. As managed long term care strives to keep people home for as long as possible, facilities will be caring for an increasingly sicker population.

- Assisted living facilities, comprehensive personal care homes and assisted living programs need the increased reimbursement to keep them viable as a cost effective home and community based option to “institutional” care after only one rate increase in sixteen years and that was in 2007.

- For nursing facilities, the goal is to ensure that the level or reimbursement provided to those facilities with the sickest residents more closely aligns with their actual cost of care. Despite the higher acuity of their residents, nursing facility reimbursement is now less than it was six years ago.

- For SCNFs, the objective is to better compensate these facilities for the higher cost of care that they have encountered caring for very medically fragile individuals with rates that have been frozen over the past six fiscal years.

######
FY 2014 State Budget Language – Nursing Facilities

Notwithstanding the provisions of N.J.A.C. 8:85 or any other law or regulation to the contrary and subject to any required federal approval, the amounts hereinabove appropriated for Payments for Medical Assistance Recipients -- Nursing Homes are subject to the following conditions:

(1) no nursing facility that is being paid on a fee--for--service basis shall receive a per diem reimbursement rate adjustment and each shall receive the same per diem reimbursement rate received on June 30, 2014;

(2) nursing facilities that are being paid by a Managed Care Organization (MCO) for custodial care through a provider contract that includes a negotiated rate shall receive that negotiated rate;

(3) any Class I (private) or Class III (special care) nursing facility that is being paid by an MCO for custodial care through a provider contract but has not yet negotiated a rate shall receive the same per diem reimbursement rate as it received on June 30, 2014, and any Class II (county) nursing facility that is being paid by an MCO but has not yet negotiated a rate shall receive the per diem reimbursement rate it would have received on June 30, 2014, had it been a Class I nursing facility; and

(4) monies designated pursuant to subsection c. of section 6 of P.L.2003, c.105 (C.26:2H-97) for distribution to nursing facilities, less the portion of those funds to be paid as pass--through payments in accordance with paragraph 1 of subsection d. of section 6 of P.L.2003, c.105 (C.26:2H--97), shall be combined with amounts hereinabove appropriated for Payments for Medical Assistance Recipients -- Nursing Homes for the purpose of calculating Medicaid reimbursements for nursing facilities. For the purposes of this paragraph, a nursing facility’s per diem reimbursement rate or negotiated rate shall not include, if the nursing facility is eligible for reimbursement, the difference between the full calculated provider tax add--on and the quality--of--care portion of the provider tax add--on, which difference shall be payable as an allowable cost pursuant to C.26:2H--97(d). Provided, further, that on or before September 15, 2014, the Department shall calculate and disseminate to the MCOs the amount of the add--on payable during the year starting October 1, 2014 as an allowable cost, as well as the list of nursing facilities that will receive this add--on, and the MCOs shall adjust the rates paid to nursing facilities accordingly; the add--ons calculated for FY 2014 shall be applied from July 1, 2014, through September 30, 2014 and the first add--on shall be applied to fee--for--service per diem reimbursement rates effective October 1, 2014.

Notwithstanding the provisions of any law or regulation to the contrary, as a condition of receipt of any Medicaid payments a nursing home shall provide to the Commissioner of Human Services information on the facility's finances comparable to the information provided by hospitals to the Department of Health pursuant to N.J.A.C:8:31B--3.1 et seq. and N.J.A.C.8:31B--4.1 et seq., as requested by the commissioner, and the commissioner shall periodically assess the financial status of the industry.
# History of Nursing Facility Medicaid Rate Losses

<table>
<thead>
<tr>
<th>Year</th>
<th>NF Rate Reductions (Budget Adjustment Factor——BAF)</th>
<th>Provider Tax to State</th>
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</thead>
<tbody>
<tr>
<td>SFY 2014</td>
<td>$111 M</td>
<td>$51.5 M</td>
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<td></td>
<td>Pre-BAF Reductions in OPADM and DHC Limit</td>
<td>$49 M</td>
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<td></td>
<td>Elimination of Bed-Hold and Therapeutic Reimbursement</td>
<td>$37 M</td>
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<td>$197M</td>
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<td>SFY 2013</td>
<td>$134 M</td>
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<td>$220 M</td>
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<td>SFY 2012</td>
<td>$123 M</td>
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<td>Pre BAF Reductions in OPADM Price and DHC Limit</td>
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<td>$209M</td>
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<td>SFY 2011</td>
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<td>Elimination of Enhanced Federal Match for the Provider Tax</td>
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<td>Reduction in Therapeutic Leave Payment</td>
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<td>Bed Hold Payment – Requirement of 90% Occupancy</td>
<td>$8 M</td>
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<td>$160M</td>
<td>$71.1 M</td>
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<td>SFY 2010</td>
<td>Flat Rate (No Inflation Adjustment; No Rebasing)</td>
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<td>Non-December Facility Inflation Reduction</td>
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<td>Elimination of Rebasing – Inflation Based on Medicaid Occupancy</td>
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<td>$21 M</td>
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<td>SFY 2007</td>
<td>Reduction of Inflation Factor - Based on Medicaid Occupancy</td>
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<td>Bed Hold Payment – Reduction to 50% of NF Rate</td>
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<td>$41 M</td>
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<td>$51.5 M</td>
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<td>SFY 2005</td>
<td>(Proposed Cuts Reversed – Adoption of Provider Tax)</td>
<td>($46.7 M)</td>
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<td>$1.05B</td>
<td>$554.2 M</td>
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1 Official New Jersey budget documents, Department Projections, Myers and Stauffer Rate calculations
2 Losses to NFs from Budgetary reduction to regulatory (cost limited) rates. State and Federal Shares Combined
3 Facilities received enhanced federal match for Provider Tax add-on for nine months of SFY 2009
4 Implemented in SFY 2008 Budget language
5 Proposed cut α State funding restored
New Jersey Medicaid NF Rates – Budget Impacts

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Sources: Health Care Association of New Jersey BDO Seidman, LLP (2003 – 2010) and Myers and Stauffer (2010 – 2014)
State Revenues from Provider Tax
Versus
NF Medicaid Reimbursement - Aggregate Budget Reductions

Reflects Impact of Aggregate Budget Reductions on the Regulatory Calculation of Reasonable NF Rates/Costs.
State Budget % Changes – Gross Payment NF Funding Versus Medicare Market Basket Nursing Facility Inflation Factors

SFY 2005 - Nursing Facilities contribute $132 M in newly enacted Provider Taxes
SFY 2009 - Nursing Facilities receive inflation plus enhanced federal share of Provider Tax distribution
Nursing Facility Patients by Payor

- Medicaid
- Other
- Medicare

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Increasing Dependence of Nursing Facility Residents

Number of Activities of Daily Living for which Nursing Home Residents are Dependent (Source: CMS OSCAR Data)
Percentage of Nursing Facility Residents With Dependence for Activities of Daily Living (ADLs)
Percentage of Residents with Dependence for Activities of Daily Living (ADLs) in Assisted Living Facilities
New Jersey Skilled Nursing Facilities - A Profile

- Of the 371 skilled nursing facilities in New Jersey 331 are Medicaid certified.
- 28,291 New Jersey skilled nursing facility beds are occupied by Medicaid residents.*
- Medicaid residents in NJ skilled nursing facilities average 62.3% of the resident population.*
- The average age of a New Jersey nursing facility resident is 85 years old.
- 55,000 people are employed directly by New Jersey nursing facilities.

New Jersey Skilled Nursing Facilities - Funding

New Jersey Ranks Number 3 among states in Medicaid reimbursement shortfall†

- Cost of New Jersey skilled nursing facility care:
  - Average daily cost per resident is $248.04†
  - Average daily Medicaid rate per resident is $204.37††
  - Average net Medicaid rate per resident (after income adjustment) is $171.63

- On average, Medicaid pays $8.51 an hour to NJ Medicaid skilled nursing facilities to provide Medicaid residents with the following required services:
  - 24-hour per day nursing care
  - Three (3) meals per day
  - Dietary supplements
  - Grooming
  - Personal hygiene care
  - Bathroom assistance

- $43.67 per day, per resident is the discrepancy between Medicaid payment and actual costs to care for a Medicaid nursing facility resident in New Jersey.

- $452 Million is the total shortfall in New Jersey Medicaid nursing facility reimbursement.

Sources:
†† A Report on Shortfalls in Medicaid Funding for Nursing Home Care (Eljay, LLC for the American Health Care Association - December 2012).
††† Weighted average Medicaid rate calculated from Meyers and Stauffer rate listing, 7/1/12 & 7/1/13.
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NJ Assisted Living / Comprehensive Personal Care Home
Resident Profile Report for the Year 2012

Admission Source:
- From home: 61%
- From nursing facility: 6%
- From other assisted living / comprehensive personal care home: 5%
- From acute care hospital: 4%
- From subacute care facility: 19%
- From residential health care facility: 1%
- From other: 3%

Percentage of Residents by Gender:
- Male: 25%
- Female: 75%

Percentage of Residents Requiring ADL* Assistance:
- No assistance needed: 9%
- Assistance needed with one: 8%
- Assistance needed with two: 10%
- Assistance needed with three: 11%
- Assistance needed with four or more: 63%

*Activities of Daily Living (defined for this report as dressing, bathing, toilet use, transfer, locomotion, bed mobility & eating)

Percentage of Residents Covered by Medicaid:
- Yes: 20%

Percentage of Current Lengths of Stay in Months:
- Less than 1: 3%
- 1 - 5: 14%
- 6 - 11: 14%
- 12 - 17: 12%
- 18 - 23: 10%
- More than 23: 47%

Percentage of Residents Requiring Cognitive Assistance:
- Independent: 39%
- Total Assistance: 22%
- Limited Assistance: 39%

Discharge Destination Percentage (Residents discharged during Calendar Year 2011):
- Nursing facility: 28%
- Death: 40%
- Acute care hospital: 9%
- Home: 9%
- Other assisted living / comprehensive personal care home: 8%
- Subacute care facility: 2%
- Other: 4%

Percentage of Residents Requiring Medication Assistance:
- Independent: 15%
- Total Assistance: 73%
- Limited Assistance: 12%

Percentage Distribution of Resident Age Groups:
- Younger than 70: 6%
- 70 - 74: 4%
- 75 - 79: 8%
- 80 - 84: 18%
- 85 - 89: 20%
- 90 - 94: 25%
- 95 or older: 10%

(Source: NJ Department of Health, based on residents in 207 facilities in September 2013)
Totals may not equal 100% due to rounding.
The aging of the American population, including the dramatic increase in the number of persons aged 85 and older, has led to the tremendous growth of the concept of assisted living, making it an increasingly popular eldercare choice among our elderly and their families.

Assisted living is a special combination of housing, personalized support services and health care designed to accommodate those who need help with activities of daily living (ADLs) but may not require the type of care provided in a skilled nursing facility. Assisted living promotes maximum independence and dignity for each resident in a home-like atmosphere and provides 24-hour custodial care, personal care assistance, dining, recreation, activities, limited health care services and other support services. The concept of assisted living also encourages the involvement of family, neighbors and friends. Trained staff is available to meet individual needs and deliver services that promote the highest possible quality of life.

The philosophy of assisted living emphasizes the right of the individual to choose where they will receive care and services. Assisted living residents share the risks and responsibilities for their daily activities and well-being with a staff trained to help them enjoy the freedom and independence of private living. Assisted living providers have adopted a philosophy that allows their residents to remain in the facility as long as the personal care staff can adequately and properly provide for their health, safety and well-being. The levels of this ability vary from residence to residence.

Assisted living in New Jersey is regulated by the Department of Health and Senior Services (DHSS). DHSS regulations for assisted living were originally promulgated in 1993 and updated in 2007. As of September 2013, there were 215 assisted living/comprehensive personal care facilities* in New Jersey, representing some 17,000+ beds. These assisted living beds supplement the state’s 50,000 skilled nursing beds. Assisted living facilities are subject to annual, unannounced inspections by DHSS.

In 1996, in order to help eligible and appropriate low-to moderate-income individuals reside in assisted living facilities, New Jersey opted to publicly fund a small percentage of assisted living facility costs through the Medicaid program. The program originally provided for 1,500 slots. In July of 2006 New Jersey removed the restriction regarding the number of persons who could receive services pursuant to the Medicaid Waiver Program. As of January 2011 approximately 3,000 persons per month were receiving assisted living services funded by the Program. Assisted living in New Jersey is a lower cost alternative for some nursing home residents, especially those who are Medicaid beneficiaries. According to state financial analyses, in choosing an assisted living facility instead of a nursing facility, a Medicaid beneficiary saves the state and federal government a minimum of $106 per day for care.

*Facilities licensed by the Department of Health and Senior Services to provide room and board and to assure that assisted living services are available when needed, to four or more adults unrelated to the proprietor. Residential units may be shared and must have a lockable door on the unit entrance.

Assisted living residential units must offer a minimum 150 square feet (single occupancy) of clear and useable floor area (excluding closets, bath, and kitchen); private bathroom; a kitchenette; and a lockable door on the unit entrance. The kitchenette must include a small refrigerator, cabinet for food storage, sink, and space with outlets suitable for cooking appliances such as a microwave, cook top, or toaster oven. An additional 80 square feet of floor space must be provided for a second person occupying a unit. No more than two people may occupy a unit.

Comprehensive personal care home units must provide 80 square feet for single occupancy units and 130 square feet if the unit is occupied by two people. Private baths and kitchenettes are not required.

(Sources: Health Care Association of New Jersey, National Center for Assisted Living, Assisted Living Federation of America, New Jersey Department of Health & Senior Services.)