



Texas House Appropriations Subcommittee on Article II
Health and Human Services Commission
February 11, 2019

Chairwoman Davis and Members of the Subcommittee on Article II:

Thank you for the opportunity to submit testimony on Article II Health and Human Services: Medicaid. LeadingAge Texas advocates for approximately 200 of Texas' finest retirement housing communities, assisted living facilities, continuing care retirement communities, nursing homes, and home and community based services providers. Over 30,000 older Texans reside in LeadingAge Texas-member communities. Thousands more are served through home health services, adult day care centers, and other community out-reach services. LeadingAge Texas members are sponsored primarily by community-based nonprofit civic, religious, fraternal, and other quality groups and are mission-driven organizations.

The challenges we face in aging services are substantial and will require some innovative thinking and action if we are going to serve those who are most in need. Aging services is at a crossroads in how we fund care and the expectations that Texans have about care delivery. Texans expect greater independence and want their healthcare needs met in non-institutional settings, whenever possible. We agree with this approach and support "aging in place" models of care throughout the network of caregivers in our association. This expectation of independence, however, is a challenge when addressing the current Medicaid program and how Texas funds care.

LeadingAge Texas desires to see the Medicaid model adjust to a more free-market approach. By that, we mean Texas should see its role as an active consumer in the healthcare marketplace. Provider types such as nursing homes, home care, assisted living and affordable housing should be options for the state to provide the least costly and most effective forms of care.

We encourage this committee to consider solutions that restructure the Medicaid budget to fit the model described as "Money Follows the Person." Based on this approach, Medicaid can do more with existing resources. The state must have the flexibility to appropriate funds where there is greater consumer demand and greater care efficiencies. As most markets illustrate, competition breeds innovation and currently there are limited incentives to pursue alternative models of care. We urge this committee to consider reforms that allow state resources to shift where there is greater opportunity for less restrictive models and efficiencies to achieve quality care.

Another barrier to achieving systemic quality improvement and care efficiencies is the manner in which we distribute funds to aging services. We fully understand both the revenue and expenditure challenges you face in addressing how to create public programs and services that are efficient, accessible, transparent, and accountable.

We firmly support a state budget that is fiscally sound and that is responsible with the resources taxpayers provide. LeadingAge Texas has remained a leader among long-term care advocates in the values of accessibility, transparency, and accountability throughout the sixty year history of our organization.



Access to quality care and services is critical for aging seniors. While Texas' nursing home population has remained stagnant (roughly 125,000 all payer types), assisted living, home care, independent living, and CCRC populations continue to rise. As Texas continues to age, it is important that we address the funding mechanisms available to each of these services if we are going to maintain adequate access to care.

Transparency is an important value of LeadingAge Texas. STAR+PLUS Medicaid Managed Care has presented challenges. Nursing facilities continue to reconcile incorrect payments and are faced with increased complexity of billing, prior authorization requirements, dealing with multiple health plans and a complicated reimbursement methodology (Resource Utilization Group) that has required nursing homes to hire additional business office staff at the expense of direct-care staff. After nearly four years of managed care, we still are not clear if STAR+PLUS has saved Texas general revenue (with regard to nursing facilities) or improved quality care. We do know that providers have certainly seen an increase in their cost of care. We would urge this committee to demand greater transparency in Medicaid managed care.

Accountability for how the state funds aging services is equally critical to Texas' ability to deliver sustainable quality care. As in previous years, LeadingAge Texas requests this committee fully-fund the only program that ties general revenue to adequate staffing and holds providers accountable—the Nursing Facility Direct-Care Staff Rate Enhancement & Accountability program. This program is underfunded by approximately \$12 million dollars and we request increasing the appropriation of this important program, so that adequate staffing levels can be incentivized and rewarded.

We appreciate the opportunity to provide input and recommendations to the Senate Finance Committee and we understand the challenges you face overseeing the Article II Health and Human Services budget. We look forward to working with you to develop an effective and accountable budget that meets the needs of aging Texans and creates a framework that spurs innovation and quality improvement amongst providers.

LeadingAge Texas recommends funding options with a targeted focus on addressing the workforce shortage, improving quality-care and achieving regulatory efficiency.

Target Resources to Support the Long-Term Care Workforce

Issue: In 2017, the Texas Department of State Health Services reported that direct-resident-care Registered Nurses (RNs) had the highest position vacancy rates in the state (18.9%). Comparatively, RNs in hospitals had a vacancy rate of 8.1%. Certified Nursing Assistants (CNAs) in nursing facilities produced the highest overall median facility turnover rate among nursing staff at 65.5%. To compare, CNAs also had the highest turnover rate among nursing staff in hospitals (34.1%).

The current workforce shortage in long-term care poses the greatest threat to patient safety, as adequate staffing levels are the primary indicator of quality care in nursing homes. High vacancy and turnover also increase workload and stress levels of existing staff and place greater financial strain on facilities that rely on government funding sources to operate.

Strengthen the Direct Care Staff Rate Enhancement & Accountability Program

Issue: Staff to resident ratios are the primary indicator of quality care in nursing homes. Since 2000, the staff rate enhancement has been an effective pay-for-performance model that guarantees funding is directly tied to staffing, wages and benefits. In the 2018-2019 budget, the staff enhancement program had a funding level of \$53 million (\$23 million GR; \$30 million federal). The current program is underfunded. **Texas HHSC rate methodology estimates that to fully fund the FY 2019 program based on current participation requirements the state would need to add approximately \$12 million GR.** By fully funding this program, providers that are currently staffing at higher levels would be reimbursed based on their actual level of participation and able to increase wages and benefits of direct-care staff as a result. Additional appropriations would further strengthen the program and create greater incentive for providers to staff adequately.

LeadingAge Texas Recommendation: Fully fund the staff rate enhancement to improve funding to Medicaid providers that invest more in resident care and staff at higher levels. Incentivizing higher staffing levels may lead to cost savings by preventing costly acute episodes and hospitalizations. Staff rate enhancement dollars must be spent on staff wages and benefits creating greater transparency and accountability.

Increase General Revenue for Quality-Based Medicaid Rates in Nursing Facilities

Issue: Medicaid rates have not kept pace with the cost of care. The Texas Legislature has not increased General Revenue Medicaid funding to nursing homes since 2014-2015. While the 2014 increase and addition of quality-based supplemental funding programs have been a positive step in addressing funding challenges, the gap between the funded Medicaid rates and the cost of providing quality nursing home care continues to expand. According to the 2020-

2021 HHSC Consolidated Budget Request, data from nursing facility providers' fiscal year 2016 cost reports shows the **average daily payment for a Medicaid recipient was \$131.33. The agency notes that the current average daily rate is close to 15 percent below the cost of care.**

FY 2018 Nursing Facility Revenues (HHSC Consolidated Budget)

RUG Revenue - \$2,397,066,930

Insurance Revenue - \$23,767,994

Rate Enhancement Revenue - \$59,381,187

Vent/Trach Revenue - \$5,410,294

LeadingAge Texas Recommendation: Adequately fund the Medicaid base rate with specific legislative direction to allocate funds toward direct-care staff, the achievement of measurable quality outcomes and resident focused expenditures. The 2020-2021 biennial cost of this recommendation is approximately \$750 million in All Funds (AF), and \$302 million in GR. **HHSC rate methodology indicates that a 1 percent rate increase will cost the biennial budget approximately \$50 million in AF and \$20 million in GR.**



Increasing the base rate will close the current funding gap based HHSCs rate-setting methodology. With specific direction to increase the amount of funding available for direct-care staffing and other resident focused expenditures Texas will incentivize quality and better utilize taxpayer resources.

Support Regulatory Reforms to Achieve Greater Cost Savings & Patient Care

Issue: Providers have struggled to meet the administrative and regulatory demands of providing both Medicare and Medicaid services to consumers. The implementation of STAR+PLUS Medicaid managed care has only increased the administrative burden on providers. LeadingAge Texas understands the importance of a regulatory framework that ensures patient safety. However, the current system has placed a significant financial strain on providers who rely on government sources to fund the services they provide, added to the difficulties of recruiting and retaining qualified staff and continues to divert attention from actual patient-care.

LeadingAge Texas Recommendation: Identify government efficiencies that may be achieved to lower the cost of administration for Texas and providers so spending is targeted to direct patient-care, i.e. standardized processes across managed care, regulatory resources and quality monitoring focused on low performing facilities, regulatory relief for high-performing facilities, and streamlined reporting tools.

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