

## Nursing home operators don't care for Kasich's plan to cut funding

*Budget proposal aims to reduce Medicaid exposure, keep residents at home*

By [TIMOTHY MAGAW](#)  
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Gov. John Kasich has long railed against the powerful nursing home lobby, and he's about to face some heavy-handed resistance as he tries to push a budget through the Legislature that slashes funding for the nursing home industry.

The governor proposed cutting funding for nursing homes by about 7% — or about \$427 million — over the next two years, as he tries to shift more patients into at-home care, an option his administration insists is a cheaper and more desirable option.

Nursing homes were among the hardest hit in the governor's plan to rein in \$1.4 billion in Medicaid spending. As he tries to plug an \$8 billion budget shortfall, Gov. Kasich has targeted the Medicaid program, which provides health care for the state's poorest citizens, as it dominates about 30% of the state's total spending.

Administration officials contend the role of nursing homes has changed dramatically and that Ohioans largely would prefer to remain in their homes. The current cost structure doesn't reflect that adjustment, and Gov. Kasich hopes to shift Medicaid dollars from nursing home care toward home and community-based services.

Tom Campanella, the director of the health care MBA program at Baldwin-Wallace College, said more people are looking for long-term care at home rather than the traditional route of a nursing home. The governor's proposed budget, he said, takes that into consideration in a way that has never been addressed.

"The long-term care industry really has to start thinking out of the box and have a better sense of cost efficiencies and how to be market attractive," he said. "Now more than ever there's going to be winners and losers in that industry. Winners are going to be the ones who provide affordability and meet the needs of the elderly."

### Feeling the brunt

Under Gov. Kasich's proposal, St. Augustine Health Campus, a Cleveland-area nursing home provider, could stomach as much as \$2.6 million in reduced reimbursements over the biennium, according to Patrick Gareau, St. Augustine's president and CEO

He said about 80% of St. Augustine's patients are covered by Medicaid, a program that already doesn't cover the cost of care, and further reductions to the program could force the nursing home to curtail its operations even further.

"These are people that we're talking about that are going to suffer if we don't get this turned around somewhat," Mr. Gareau said. "The only way to contend with this is to reduce your exposure to Medicaid, and you can't do that when you're in the inner city."

The A.M. McGregor Group, another Cleveland-area provider of services to the aged, is looking to limit its Medicaid exposure in order to weather further rate cuts, said Rob Hilton, president and CEO of the organization. McGregor is looking to boost the number of beds offered for skilled nursing care, which are typically covered by Medicare. Skilled-care is offered to patients recovering from hospital stays and need some sort of follow-up treatment or therapy.

"We can increase our skilled care in response to a cut in Medicaid, but it's significant every time we add one skilled-care bed because we're decreasing Medicaid by one bed and depriving one more low-income senior care," Mr. Hilton said. Under Gov. Kasich's proposal, Mr. Hilton said McGregor is poised to lose about \$1 million over the next two years.

Also, McGregor has taken over a program — known as Program for All-Inclusive Care of the Elderly (PACE) — that allows low-income seniors to live at home rather than in more-expensive residential care facilities, and it wants to use the program to launch a broader home-care operation.

Rate cuts are problematic for nursing homes because of the slew of regulations with which they must comply, said Jeff Myers, chief operating officer of the Village at Marymount, a Catholic nursing home community in Garfield Heights.

"It takes a lot of people and a lot of processes to make sure you're at 100% efficiency every day. That costs money," Mr. Myers said.

## **Hospitals hit, too**

Hospitals also were walloped in Gov. Kasich's proposal, though not as drastically as some expected.

Many hospital executives in Northeast Ohio didn't respond to requests for interviews, but Summa Health System CEO Thomas Strauss said he was encouraged by the emphasis on proposing payment structures that reward quality outcomes rather than high patient volumes.

Hospitals applauded the governor's plan to extend temporarily the franchise fee, a mechanism that allows the state to draw more federal matching dollars to prop up the state's Medicaid program. Northeast Ohio hospitals — particularly those with high Medicaid volumes — had complained about its impact on their bottom lines. However, many made up some of the losses through elevated Medicaid reimbursements.

"The governor faces so many challenges, and we want to work with him to find solutions for the problems facing health care and our economy," Mr. Strauss said.

Hospitals weren't as receptive to the governor's proposal of slashing their Medicaid payments by \$478 million over the next two years. Because of the likely rate cuts on the state and federal level, Mr. Strauss said Summa is exploring ways to cut costs, and that includes evaluating services and staffing levels.

"There's nothing on the table that is sacred," he said.