

## The Underfunding of Nursing Facility Resident Care

**\$307,000,000+**

Based on two studies, Medicaid was underfunded by between \$307 million and \$325 million in 2017-18.

**100%**

Percentage of Medicaid resident days that were underfunded

### Medicaid Residents

vs

Private Pay Residents / **+\$41,000** /year /

Private pay residents have to pay \$41,000/year more than Medicaid residents due to the underfunding, resulting in asset depletion and lost homes.

**\$71-\$79** per day loss

Amount facilities lose for each Medicaid resident, each day, for providing their care.

### Medicaid % of Total Residents



These underfunded residents make up an increasingly large portion of nursing facility residents.



**30**

Number of Nursing Facilities that have closed since 2016.

### Direct Care Funded

vs

Direct Care Expenses / **\$99,800,000** /

Unfunded direct care was nearly \$100 million in 2017-18. This funding goes toward front-line caregiver wages. Underfunding contributes to lower wage rates, workforce shortages, and increases the potential for substandard care.

**2010**



**2040**  
 140% increase

Projected population growth for Wisconsin residents ages 85 and older.

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## ***Recruit, Retain, Reform: Addressing the Long-Term Care Workforce Crisis***

### **Budget Request for Wisconsin's Nursing Facilities**

#### ***Snapshot:***

Wisconsin's nearly 400 nursing facilities face a severe crisis in the shortage of available caregivers, with **1 in 5 caregiver positions currently unfilled**. Several factors are causing this crisis, including:

- Wisconsin's Medicaid reimbursement rates lag far below the actual cost of serving our nursing facility residents. In fact, using this measure, a national study reported **Wisconsin has the second worst Medicaid nursing facility rates in the country**.
- Despite the growing need for additional caregivers, fewer people are choosing to enter the caregiving profession, undoubtedly influenced by other employment options offering higher wages.

To address these alarming facts, Wisconsin's skilled nursing provider community is asking the Legislature to invest **\$83.3 million GPR in the 2019-21 biennial budget** to enable providers to better recruit and retain competent and caring staff. Approval of this proposal would be a major step toward alleviating the long-term care (LTC) workforce crisis.

#### **The Problem**

- Wisconsin nursing facilities experienced a \$307+ million "Medicaid deficit" in 2017-2018. The Medicaid deficit is the difference between the costs facilities incurred caring for their Medicaid residents and the state/federal Medicaid reimbursement they received for providing that care.<sup>1</sup>
- **The average Wisconsin nursing facility in 2017-2018 lost between \$71 and \$79 per resident per day for each Medicaid resident they served.<sup>2</sup> Because the care for nearly two-thirds of all nursing facilities is covered by Medicaid, these losses place significant financial hardship on nursing facilities.<sup>3</sup>**
- **Wisconsin's Medicaid reimbursement rates are so far below the cost of resident care and services provided, they are considered to be the second worst in the nation.<sup>4</sup>**
- **Low reimbursement has led 1 in 4 facilities to limit admissions in the last year, and without additional resources, more providers will have to limit admissions in order to maintain care quality just as demand begins to rise as the Baby Boomer generation ages and requires more LTC services.**

<sup>1</sup> [https://www.whcawical.org/files/2016/07/00-WI-Medicaid\\_losses-by-Senate-District.pdf](https://www.whcawical.org/files/2016/07/00-WI-Medicaid_losses-by-Senate-District.pdf)

<sup>2</sup> <http://www.leadingagewi.org/media/64636/loss-report.pdf>

<sup>3</sup> [https://docs.legis.wisconsin.gov/misc/lfb/budget/2015\\_17\\_biennial\\_budget/300\\_budget\\_papers/362\\_health\\_services\\_ma\\_reimbursement\\_for\\_nursing\\_homes.pdf](https://docs.legis.wisconsin.gov/misc/lfb/budget/2015_17_biennial_budget/300_budget_papers/362_health_services_ma_reimbursement_for_nursing_homes.pdf)

<sup>4</sup> [https://www.ahcancal.org/facility\\_operations/medicaid/Documents/2017%20Shortfall%20Methodology%20Summary.pdf](https://www.ahcancal.org/facility_operations/medicaid/Documents/2017%20Shortfall%20Methodology%20Summary.pdf)

→ **Wisconsin is in a workforce shortage crisis.**

- *The Long-Term Care Workforce Crisis: A 2018 Report*,<sup>5</sup> the largest survey of Wisconsin's nursing and assisted living facility providers in state history, included the following key findings:
  - **1 in 5** (20%) direct caregiver positions in Wisconsin's nursing and assisted living facilities currently are vacant [up from 1 in 7 (14%) vacant positions in a 2016 report], with more than **16,500** job openings in LTC facilities (i.e., nursing facilities, community-based residential facilities, residential care apartment complexes, and adult family homes) across the state.
  - Nursing facilities had vacancy rates of **17.3%** for registered nurses (RN), **16.2%** for licensed practical nurses (LPN), and **19.2%** for certified nurse aides (CNA), the primary caregivers in nursing facilities.
  - **54%** of respondents said they received no applications for vacant positions.
  - **83%** of respondents reported there were no qualified applicants for their caregiver openings.
  - In attempting to cope with these shortages, LTC providers said that **84%** of the time they have been forced to use overtime, double shifts and/or other strategies to fill open hours, all of which not only are expensive but can lead to caregiver burnout and jeopardize quality.
  - **67%** of respondents said they had personal caregivers who left for jobs outside of health care.
  - **1 in 3** respondents indicated they had at least **10** employees on BadgerCare Plus, the state's Medicaid health insurance program for low-income persons.
- Alarming, the number of active CNAs listed on the Wisconsin Nurse Aide Registry declined for the seventh straight year. Since December of 2012, there are 14,183 fewer active CNAs on the Registry, a 20% decline despite the growing need for additional direct care workers. Fewer people are choosing to become CNAs and fewer people are remaining in that field, a frightening prospect for LTC providers who rely on CNAs to provide the bulk of care in their facilities.

**Caregivers are shying away from work in LTC facilities because they can find better-paying work elsewhere.**

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**The Solution -- Systemic Nursing Facility Workforce Payment Reform:**

- Fund the Nursing Facility Direct Care – Nursing<sup>6</sup> Target at the Median
  - *Estimated 2019-21 Biennial Cost: \$32.5 million GPR*
- Increase the Nursing Facility Direct Care – Other<sup>7</sup> Target by \$5 per Resident Day.
  - *Estimated 2019-21 Cost: \$16.2 million GPR*
- Increase the Support Services<sup>8</sup> Target by \$5 per Resident Day
  - *Estimated 2019-21 Cost: \$16.2 million GPR*
- Increase Funding for Five Nursing Facility Labor Regions to the Statewide Direct Care Target (Rural Counties; Appleton/Calumet; Brown/Kewaunee/Oconto Counties; Eau Claire/Chippewa Counties; and Fond du Lac County)
  - *Estimated 2019-21 Cost: \$3.6 million GPR*
- Provide a 4.5% Inflationary Increase funding in the 2<sup>nd</sup> Year of the Biennium 2020-21:
  - *Estimated 2019-21 Cost: \$14.7 million GPR*
- Include a budget provision that directs the Department of Health Services to report to the Joint Finance Committee on whether annual nursing facility fee-for-service Medicaid spending is less than the amount authorized by the 2019-21 Biennial Budget Act. If underspending has occurred, require DHS to submit a proposal to the JFC, for review and approval, that allocates the difference to the amount authorized for nursing facility funding in the subsequent fiscal year.

**Total Nursing Facility Funding Request for 2019-21: \$83.3 million GPR**

The solution we have proposed would be distributed through the nursing home payment formula and would provide nursing facility providers with the tools that are necessary to recruit and retain needed staff. **Providers maintain approval of this proposal would be a major step toward alleviating the LTC workforce crisis.**

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<sup>5</sup> [The Long-Term Care Workforce Crisis: A 2018 Report](#)

<sup>6</sup> Direct Care – Nursing includes RNs, NPs, LPNs, CNAs and Nurse Aides

<sup>7</sup> Direct Care – Other includes Social Services, Recreation, Pharmacy Consultant, Medical Director, Religious Services

<sup>8</sup> Support Services includes housekeeping, maintenance, dietary, laundry, fuel and utilities, administrative and general services