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**TESTIMONY OF TIM GRAVES AND GREG LENTZ
ON BEHALF OF THE TEXAS HEALTH CARE ASSOCIATION
LEGISLATIVE COMMITTEE ON AGING
JUNE 24, 2010**

Good morning, and thank you for the opportunity to speak before you today. I am joined by, Greg Lentz, the Chair of our Board of Directors, in representing the Texas Health Care Association. THCA, founded in 1950, is the state's largest long term care association. Our membership is comprised of approximately 500 for-profit and non-profit entities – including nursing facilities, specialized rehabilitation facilities and assisted living facilities.

On behalf of THCA, our member facilities and the thousands of seniors and disabled residents our members care for daily, I'd like to thank Senator Lucio and the Legislative Committee on Aging for allowing us to provide an overview of the many challenges associated with the ongoing provision of quality nursing home care in our state, particularly as it relates to anticipated or actual state and federal funding cuts.

As we look to the far-reaching effects of federal health care reform that are still being determined, and will be for years to come, we already know that Texas' long term care infrastructure and capacity will be challenged by a dramatic funding squeeze created by deep national cuts to Medicare and state funding levels that chronically fall below the actual costs of care.

We appreciate this opportunity to join the Committee in taking a look at the many factors that may influence Texas' provision of long term care, and present our thoughts on how to best ensure that every Texas senior retains ready access to the quality long term care services they need and deserve.

And as the hurricane season is upon us, we will offer some thoughts in regard to alleviating some of the issues still in need of resolution and fine-tuning as we work to perfect the complicated state and local post-disaster response process.

With regard to nursing home care, these services are an increasingly critical segment in the care continuum. We are able to treat seniors whose health conditions, and physical conditions associated with the natural aging process, require around-the-clock complex and convalescent care that cannot be provided at a reasonable cost in any other care environment.

Taking a look at who is actually served by Texas' nursing home care – our average resident is approximately 85 years of age, female, and needs assistance with at least four activities of daily living (eating, dressing, ambulation, etc.)

A full 80 to 85 percent of our residents rely upon Medicare or Medicaid funding for their essential care. So, they are truly dependent on adequate funding and support at the state and national level.

As a result of major funding cuts included as part of federal health care reform and separately within a CMS regulatory action, we are now looking at \$1.6 billion in cuts to Texas' nursing home funding since last October. Although these cuts are phased-in over ten years, this is \$1.6 billion less to nursing home care in Texas alone – a staggering number.

On the other side of the coin, we have Medicaid funding that continues to rank 49th in the nation – and which simply does not reflect the challenges faced daily by our state's most vulnerable seniors and the providers who care for them.

Unfortunately, Medicaid underfunding has plagued seniors and caregivers for years – and we are now at a race to the very bottom in terms of Medicaid support. Now, even on top of that, Texas' oldest, most vulnerable frail, elderly and disabled citizens face possible cuts of \$25.6 million to nursing facility care in 2011.

The impact of continued Medicare and Medicaid funding cuts is a growing squeeze on Texas seniors' care benefits. This funding squeeze is also impacting providers' ability to recruit and retain qualified caregivers. In addition to putting key front line care jobs at risk, the worsening Medicare and Medicaid cost squeeze inhibits facilities' continued investment in cost effective care. This is directly at odds with our state and national health policy goals.

Even with these severe challenges, we are happy to report that we are making notable strides in long term care quality. We are seeing increasingly shorter stays from patients, many of whom we are more rapidly returning to their communities following rehabilitation and therapy. We are also ranking among the top in national quality measures.

But, common sense shows that with such severe funding challenges, these positive trends cannot continue for much longer. With upwards of 60-70 percent of nursing home operating expenses in Texas long term care facilities driven by labor costs, additional financial pressures placed on them by recent federal funding cuts will undermine patient care, and further destabilize our direct care workforce. The adverse budget conditions we face will have a real, substantial and lasting impact on thousands of our most vulnerable citizens.

What's more, in the wake of the most sweeping health care legislation in our nation's history, it is going to take us years to understand the true impact nationwide and here in

Texas, and to see whether it actually will improve access to care – as we hope it will. For nursing homes, we know it represents reduced funding, increased regulation, and increased pressure to coordinate with other providers, such as hospitals, in accounting for the provision of care.

After all is said and done, there are opportunities from health care reform here in Texas. In order to see these opportunities through, we must have smarter use of state and federal tax dollars as nursing facilities continue to care for sicker individuals and help them avoid unnecessary hospitalizations. To accommodate for new models of care, we must also expand upon existing initiatives for measuring and improving quality of care. And, we need to incorporate new innovations in facility design and operations to deal with growing numbers of residents statewide.

With our state lawmakers as our partners, I believe we are well positioned to meet these opportunities and achieve new levels in care. Paramount to making these achievements is stable Medicaid funding. We will continue to call upon the state legislature to make certain we can count on adequate funding support in the days and months ahead.

I'll now turn it over to Greg Lentz, who can tell you more about what we are seeing in facilities day-to-day.

Greg Lentz remarks:

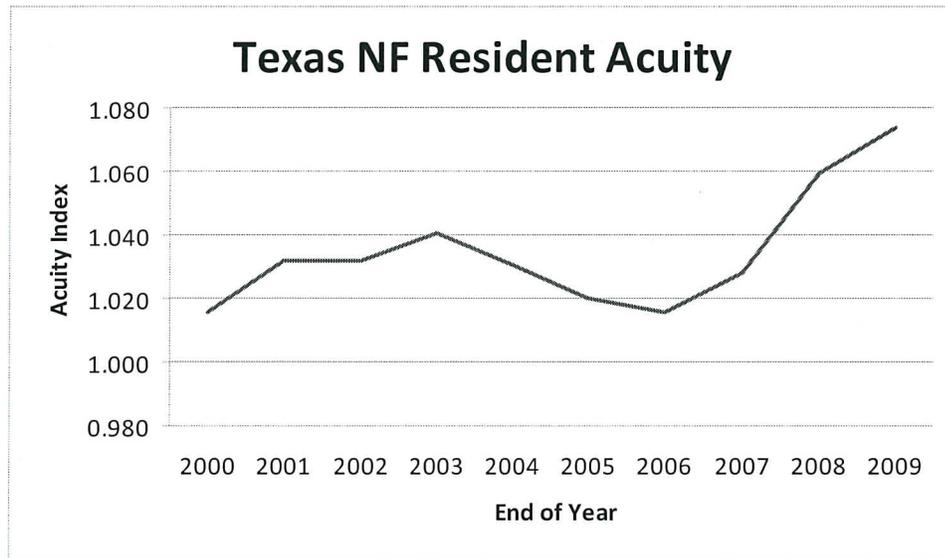
Good morning, and I echo Tim in thanking you for this opportunity. In addition to serving as Chair of THCA, my responsibilities also include acting as President and CEO of Healthmark, which delivers skilled nursing care to approximately 800 residents in 8 facilities in and around the Houston area.

Thanks to the quality skilled care we provide to these residents, we are able to send more than 50 percent of our admissions back into the community, achieving quality outcomes that ten years ago were provided for in the more expensive hospital setting. Our long term care residents are with us as they need 24/7 care that cannot be safely or effectively provided in a home health care setting.

We are proud of the quality convalescent and rehabilitative care we have delivered in the Houston community since 1999. But, as Tim said, there are significant challenges to maintaining this quality care.

- In all markets, and as we are seeing in particular in Houston, we are competing against larger medical centers when it comes to staffing and recruitment. And we continue to deal with severe nursing shortages that threaten our capacity to care for growing numbers of residents.

- As this chart indicates, we are taking on sicker and sicker patients, while our Medicare and Medicaid funding are being reduced. It is extremely difficult to provide this level of care, to patients at this level of acuity, with these funding levels. Older and sicker residents require more intensive care, which means more resources are devoted to their care – both labor and non-labor – and that means more money spent per resident over time. Put simply, our costs in treating these sicker patients are rising at the same time that our funding levels are falling dramatically. And if current funding shortfalls continue, some of our patients may have to go back to the hospitals for care.



- We continue to see rising costs for routine goods and supplies. Given that 85% of our patient care revenues are capped through Medicaid and Medicare, the squeeze between rising costs and our ability to meet patient care needs is significant.

And as Tim noted – we are now facing an added challenge as we enter and prepare for Hurricane season, which recent years have proven to be no small issue here in Texas. And, we are predicted to have another serious season again this year.

Looking at Hurricane Rita, we have several lessons learned and outstanding issues that need to be addressed.

When we had to evacuate our facilities, we were part of an unprecedented undertaking. Houston has a huge population. And getting our nursing home residents – some of our state’s oldest, sickest and most vulnerable – to safety needs to be a priority. Although we have made progress in working with the state on transportation issues, moving forward, we need better access to transportation, specifically, accessibility to buses and ambulances, to help us get our residents to safety.

In addition, with Hurricane Ike, we had extreme difficulty in getting electrical power restored in our facilities. No doubt it was an enormous undertaking restoring power to the 3 million individuals in the area without power. But it's important to look at nursing homes as a priority area, like hospitals. We are providing myriad skilled and complex care services as well as complete round-the-clock care, but nursing homes have typically been looked at as residential – in other words, not a priority – when it comes to restoring power. We have also made progress working with the state in this area, but it remains to be seen what our response time will be if we are again forced to deal with lost power this year.

Historically, nursing homes have been expected to take care of themselves when it comes to weather emergencies. Since Hurricane Rita and the major storms following, there has been a much better recognition from the state of the difficulties in evacuating and caring for special needs populations, and nursing homes are a part of that.

It must be noted, though, we still need to do more. We need to resolve exactly how transportation resources will be allocated when it comes to evacuation. And we need to make certain to prioritize nursing homes – just as we prioritize hospitals, law enforcement, water treatment and other essentials in our society – as we get power back up and running. THCA continues to work with the state and providing our ideas for additional improvements in this area.

I would be remiss if I did not take this opportunity to point out that with all of these challenges before us – staffing and recruitment, funding, and emergency preparation among them – nowhere are these issues being felt more dramatically than in Texas' rural communities.

Although my focus now is on providing care in our facilities in the Houston area, prior to 1999, I spent years as a consultant working with hundreds of facilities in the state in communities large and small. The challenges in rural areas are striking.

While staffing issues are prevalent statewide, finding and recruiting qualified caregivers in small communities is even more difficult. In many cases, the town's nursing home is the largest local employer and a major part of the economy, but the towns themselves are shrinking, and people are moving elsewhere.

In many instances, you have facilities in rural locations that are more than 35 years old and growing more outdated by the day. What's worse, they are not receiving enough capital reimbursement from the state to complete the needed renovations to keep them up to code.

With these factors, it is no wonder that since January 2006, a little over one-third of Texas nursing facilities that have been forced to close have been rural facilities. After

closings, you are dealing with local economies impacted, and seniors who are forced to go elsewhere for their care, farther away from their own families and communities.

We at THCA are doing all we can do avoid further closures and continue advancing quality care. We are providing hands on training, education and support for our members. We are continuing to partner in government and profession-wide quality improvement programs – programs that are indeed improving patients’ quality of life. We will sustain progress not just because we owe it to our patients, but because of the dedication and compassion of our workforce. And we are preparing ourselves to effectively operate in a post health care reform environment, embracing new innovations and models in care.

However, we cannot sustain success on our own. We must look to our state government to help us deliver quality long term care – particularly in terms of funding the actual costs of providing care.

As we face the significant challenges of the state and federal funding squeeze, the latest hurricane season now upon us, and added obstacles in maintaining superior care in rural areas, we cannot emphasize more strongly that care quality in our nursing homes – and continued progress in quality improvement – is directly tied to funding stability in Washington and in Austin.

I’d like to close by saying that we are encouraged by our growing levels of collaboration and partnership with our state government in ensuring effective, accessible, quality care, and we remain committed to continuing to improve the quality of long term care for the benefit of every Texas senior today, and in the years and decades ahead.

Thank you again.