

Extended Care Services

Over the past century the number of Americans aged 65 and over has increased at a rate that exceeds the overall population growth in our country. In 1900, persons aged 65 and older represented less than 5 percent of the U.S. population. By 2002, this segment represented 12.4 percent of Americans; by 2020, that percentage will climb to 16.6 percent – one in every six Americans will be aged 65 and older.

- Life expectancy has increased dramatically. In 1900, an American male could expect to live 47.3 years; in 2004, he could easily see his 77th birthday.
- In the 2000 census, 13.4 percent of Montana's population was aged 65 or older, giving Montana the 14th highest percentage of seniors in the nation. In the 1990 census, Montana ranked 23rd.
- The proportion of persons over age 65 is expected to continue to increase. By 2025, Montana is expected to be in the top three states in this category.
- Between 1993 and 2003, Montana's population aged 85 and older has increased 66 percent, compared to 34 percent nationwide.

Montana's aging population will have a profound effect on the state's health care system. For example, by the mid-1990's, more people died of chronic disease than of acute illness.

Moreover, advances in medical treatment and treatment techniques, which will enable us to live longer, will bring a new set of demands for health care providers.

The aging of the population is expected to result in a tripling of long-term care expenditures in the next 40 years from \$115 billion to \$346 billion annually, putting an even greater strain on the health care system and payers of extended care services.*

Although financing is at the center of long-term care providers' concerns, it is clear that other issues are also critical in building an effective system for meeting the needs of Montana's seniors. These include ensuring an adequate supply of health care workers, maintaining and improving the quality of services, improving access to services and supporting caregivers.

Skilled Nursing Facilities (SNFs)

In this milieu, several trends are worth noting.

- Medicaid continues to be the largest payer for skilled nursing facility services in Montana,

accounting for almost 60 percent of nursing facility revenues.

- [Montana's Medicaid program](#) spends 42 percent of its budget on long term care, 30 percent of which pays for SNF care. Yet only 11 percent of Medicaid beneficiaries are elderly.
- The intergovernmental transfer (IGT) program, which has helped SNFs survive for the last six years, has been severely curtailed due to changes in federal regulations governing Montana's plan.
- Montana's current nursing home bed tax rate is near the current federal cap for provider taxes. However, the Bush administration would like to lower that cap, which could result in a \$20 a day cut in Medicaid SNF rates.
- Montana's federal Medicaid matching payment rate continues to decrease – to somewhere near 67 percent – which means state contributions must increase just to maintain the status quo.
- Although a smaller percentage of SNF payments, Medicare reimbursement rates play a key role in retaining the staff needed to effectively complete the Minimum Data Set that generates facility' payment rates and measures quality of care.
- Medicare is beginning to link payment to quality outcomes. While SNFs do not currently receive any payment incentive to improve quality, they are expected to deliver high quality services.
- Establishing statutory or regulatory staffing ratios – i.e. setting limits on the number of residents staff can serve – would severely limit many facilities' operations and could lead to facility closures.
- Due to the rapid growth in assisted living facilities – currently there are 184 [licensed in Montana](#) – over the past several years, SNFs are experiencing decreasing occupancy rates (average 75 percent in 2005*). However, because of shorter hospital stays, those residents being admitted to nursing homes are more acutely ill and require more intensive use of (sometimes scarce) resources—thereby raising the cost per resident, per day.

Average annual costs per SNF resident are \$50,000 per year and rising. The reasons: regulations require increasingly burdensome compliance measures, staffing shortages drive up labor costs and medical liability insurance premiums have skyrocketed. On the other hand, reimbursement methodologies haven't responded to these cost drivers. Nor have they kept pace with inflation and increases in the cost of doing business.

In fact, Medicare's recent "increase" in SNF reimbursement actually resulted in decreased reimbursement to many of Montana's facilities because of a fall in the wage index.

Without fundamental reform, Medicaid can be expected to remain the major funding source for long-term care for elderly and disabled Montanans.

Finally, Montana's nursing facilities remain at risk; two closed in 2003, with others taking drastic measures to remain open. In many locations, wages have been frozen and benefits and hours cut, further diminishing the workforce and decreasing access to beneficiaries.

Home Health and Hospice

While many people equate extended care with nursing homes or other institutional facilities, almost 80 percent of the elderly and 41 percent of severely disabled individuals live at home or in community-based settings.

Many people with functional limitations or cognitive impairments choose to remain at home, or in supportive housing if they can receive assistance with activities of daily living (i.e. eating, dressing, bathing, etc.).

While seniors and disabled persons are entitled to receive Medicaid services in a SNF, states must apply for waivers to keep people in community settings. Medicare pays for most of the in-home, skilled care in Montana, although these are almost exclusively short-term services meant to help rehabilitate patients after an acute illness or injury.

Changes to the Medicare reimbursement process over the last eight years so severely reduced the payments for home care that these services are no longer available in 13 Montana counties. In many other counties, these services are severely limited.

Home care agencies also have suffered financially due to a freeze in payment updates at a time when their costs – especially for gas – have increased dramatically in recent years.

If the current payment add-ons are allowed to expire, Montana residents are at risk of losing additional access to these services.

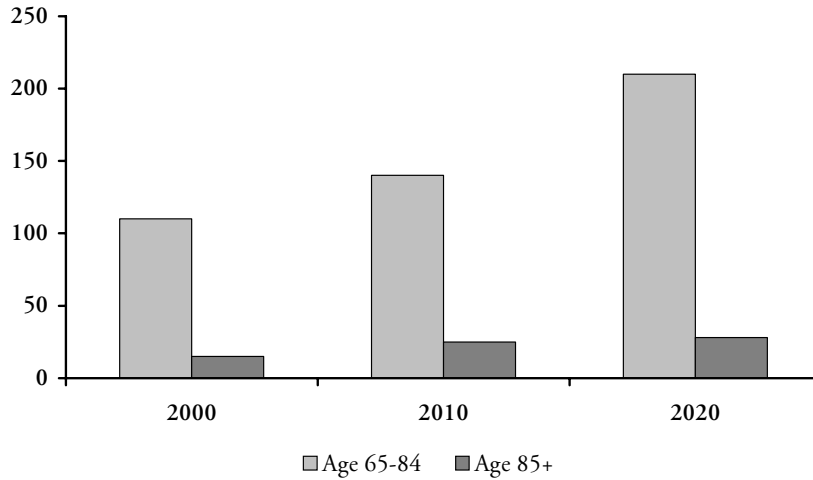
Hospice is a philosophy of care that considers the dying patient and family as one unit, and focuses on relieving symptoms (palliation) rather than attempting to cure the underlying disease. The care is multifaceted, attending not only to physical symptoms, but also to psychological, emotional, and spiritual needs. A patient must have an estimated six months or less to live and must forgo curative treatments.

Hospice care and the use of advance directives such as living wills and medical powers of attorney could save up to 10 percent of the cost of care in a patient's last year of life, 10-17 percent in the last six months, and 25-40 percent in the final month.

Medicare pays for a significant amount of the hospice care provided, but for those who are not Medicare-eligible, states can opt to provide a Medicaid hospice benefit.

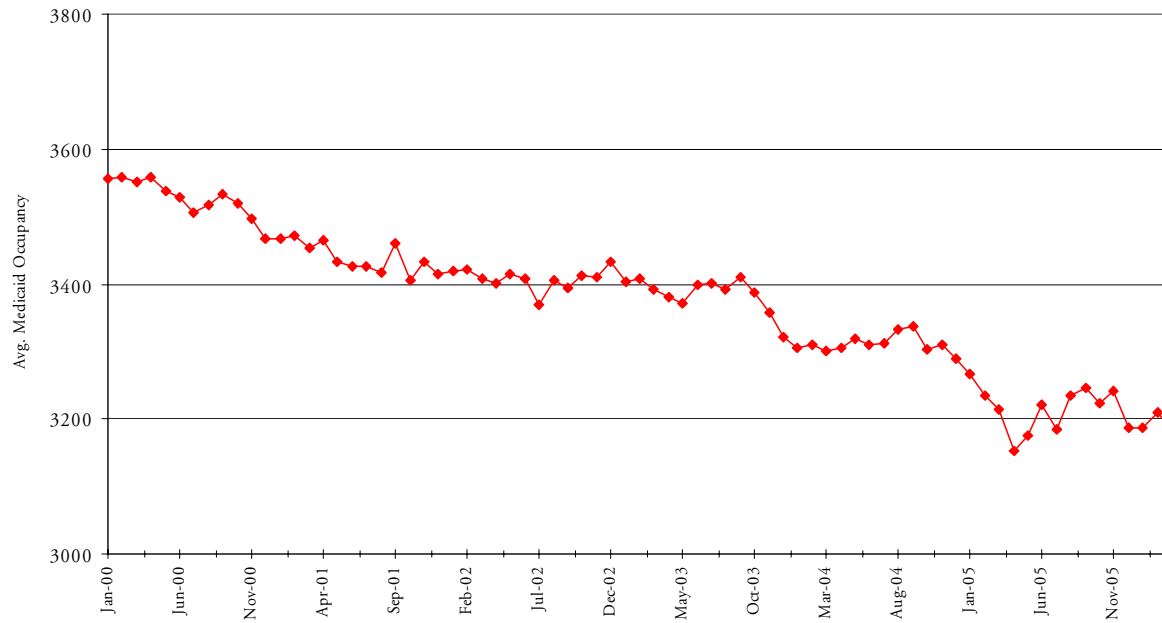
It is essential to preserve this service for our dying residents, as it is proven to improve both the quality of end-of-life experiences and the economic health of the state's health care budget.

Growth of Montana's Senior Population



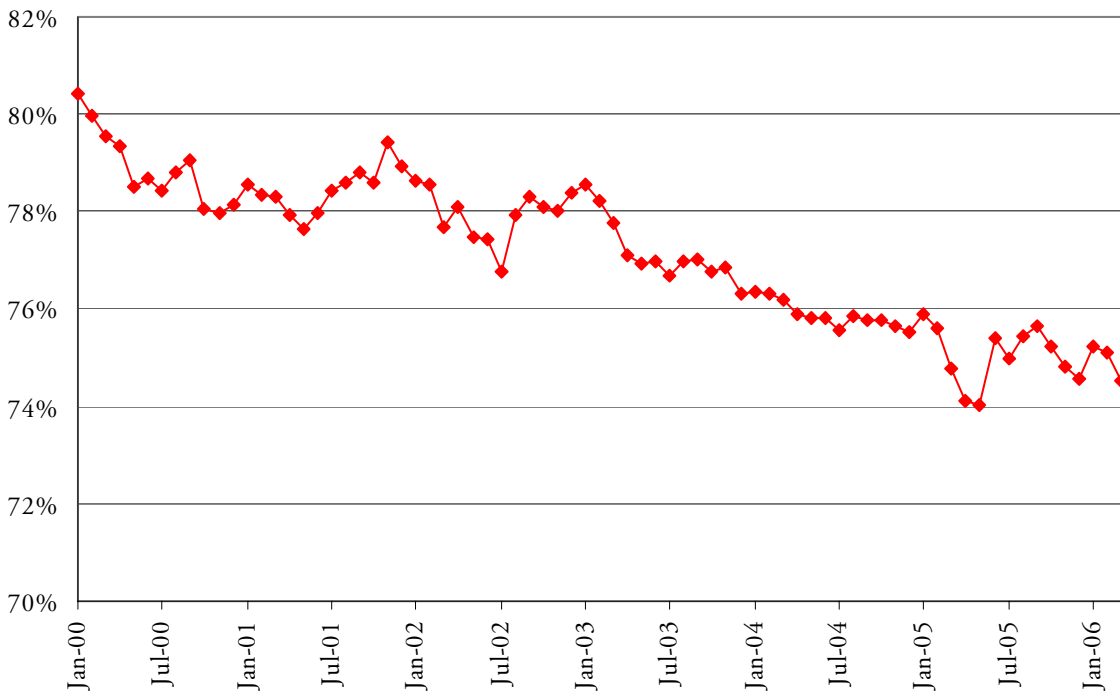
Source: AAHSA state data, 2000; U.S. Department of Housing and Urban Renewal, U.S. Census Bureau.

Average Medicaid Bed Days



Source: DPHHS, Senior and Long-Term Care Division.

Montana Nursing Home Total Occupancy



Source: DPHHS, Senior and Long-Term Care Division.