



**House
Legislative
Analysis
Section**

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NURSING HOMES: MEDICAID

AS ENROLLED

House Bill 4262 as introduced
First Analysis (5-11-93)

Sponsor: Rep. Paul Baade
Committee: Human Services & Children

THE APPARENT PROBLEM:

Under current Michigan law, a nursing home can transfer Medicaid patients in order to get other patients into the home. Many patients develop what is known as "transfer trauma," a condition which may occur when a patient who has been used to living in one place gets disoriented and upset when transferred to another place. The trauma is especially severe for older, more frail patients and can sometimes even result in death. Medicaid patients in particular are more apt to be traumatized because nursing homes, in the hope of getting new patients who will pay higher daily rates, are more likely to transfer Medicaid patients to another home. Legislation protecting Medicaid patients from the trauma of transferring from nursing home to nursing home is urgently needed.

THE CONTENT OF THE BILL:

The bill would amend the Social Welfare Act to require a nursing home that withdraws from participation in the Medicaid program to continue to accept Medicaid payments for any Medicaid patients already admitted, including patients already admitted who may become eligible to receive medical assistance under the act.

MCL 400.111b

FISCAL IMPLICATIONS:

The House Fiscal Agency says that the bill would have no fiscal implications. (5-10-93)

ARGUMENTS:

For:

The nursing home business is just like any other business in the sense that owners need to make a profit. Medicaid payments are lower than private payments, so nursing homes not surprisingly prefer to have private pay patients whenever they can instead of Medicaid patients. This difference in

payment between private payment plans and Medicaid payment results in discriminatory treatment of Medicaid patients in a couple of ways. Since sixty percent of patients who start out in nursing homes on private payment plans exhaust their financial resources within the first year of living in the nursing home, nursing homes have strong incentives to admit private pay patients and then transfer them when the patients can no longer afford the homes' rates. In addition, many homes with vacant beds and long waiting lists discriminate against Medicaid patients by keeping beds open until the home can find patients who can pay privately instead of taking available Medicaid-eligible patients.

The bill would reduce the number of Medicaid transfers by requiring that nursing homes maintain care of existing Medicaid patients and accept Medicaid payments. In addition, by requiring nursing homes to accept Medicaid payments for private pay patients who later become eligible for Medicaid, the bill would afford some measure of security to private pay patients, who often are under the impression that once they expend private resources at a nursing home they will be allowed to remain when they have to turn to Medicaid.

Against:

There is nothing wrong with nursing homes wanting to make a profit. Medicaid patients are a financial burden to nursing homes, since Medicaid payments do not pay for all of their expenses and private pay patients wind up having to subsidize them. Subsidizing results in less profit for the nursing homes, which in turn leads to fewer programs for patients.

Nursing homes do not want to turn out Medicaid patients, but there should be a limit on how long homes must be accountable for patients who "might become eligible" for Medicaid. Many patients who aren't initially on Medicaid end up on Medicaid, but no one knows when such patients will begin

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Medicaid. It could be a few months from when a nursing home decided to decertify to a few years. If nursing homes were to be held accountable for patients who might become eligible for Medicaid, it would limit their ability to accept private pay patients and leave them stuck with Medicaid patients indefinitely.

Response:

The average stay of nursing home patients is four years, so nursing homes would not be "stuck" with Medicaid patients indefinitely. The bill would, however, give the existing residents of nursing homes a measure of security and spare them from the trauma of transfer simply because their method of payment changed.

POSITIONS:

Citizens for Better Care supports the bill. (5-7-93)

The Health Care Association of Michigan (representing long term care facilities) supports the bill. (5-10-93)