

November 14, 2007

The Honorable Max Baucus  
Chair  
Senate Finance Committee  
219 Dirksen Senate Office Building  
Washington, DC 20510

The Honorable Charles Grassley  
Ranking Member  
Senate Finance Committee  
219 Dirksen Senate Office Building  
Washington, DC 20510

Dear Senators Baucus and Grassley:

Congress is likely to consider legislation to resolve several pending Medicare issues before the end of this year. On behalf of the thousands of faith-based, not-for-profit long-term care providers we represent, and the millions of frail elders they serve, we hope this legislation will address several issues of concern to beneficiaries. We also urge Congress to do everything possible to see that the bill does not cancel the payment update that went into effect for nursing homes and home health agencies on October 1, and instead will begin connecting Medicare payments to quality care.

Payment Update: The 2008 Medicare payment update skilled nursing facilities and home health agencies received on October 1 reflects CMS-projected cost increases these providers will experience over the next year. The Medicare Payment Advisory Commission (MedPAC) has reported that not-for-profit nursing homes receive low to zero Medicare margins and therefore the loss of the 2008 update would be a hardship for our facilities and a disservice to those they serve. Long-term care is a labor-intensive service, and therefore cutting the payment update would impede our ability to recruit and retain the staff needed to care for Medicare beneficiaries.

Therapy caps: It is very important for the welfare of long term care Medicare beneficiaries that the therapy cap exceptions process be extended. The current exceptions process is due to expire this January at which time Medicare beneficiaries will have to pay out of pocket for the cost of any needed physical, speech or occupational therapy that exceeds the inadequate annual caps. We strongly recommend that the caps be repealed because they do not make allowances for the needs of beneficiaries who have experienced broken hips, strokes, or other serious conditions that require multiple therapies. At the very least, however, we recommend that the current exceptions process be extended beyond the end of this year.

Nursing Home Accountability: We support MedPAC's recommendation that facilities be required to separately report their staffing expenditures on Medicare cost reports. We urge you to include in the Medicare bill provisions from H.R. 3784, introduced by Rep. Marcy Kaptur, which implements this recommendation. We believe requiring the reporting of staffing expenditures will increase nursing homes' accountability for their Medicare payments, address concerns about the quality of care the Medicare program buys and lay the groundwork for a revised payment system that promotes and supports quality.

Other provisions that need to be incorporated into new Medicare legislation include:

- Extension of the rural payment add-on for home-health services;
- Repeal of the 45% cap on general revenue financing of the Medicare program;
- Part D coverage of benzodiazepines;
- Reauthorization of special needs plans;
- Provisions for eight states - California, Texas, New York, New Jersey, New Hampshire, Maryland, Massachusetts, and Washington - to continue covering adult day health services under their state Medicaid plans.

Language containing these provisions may be found in the Children's Health and Medicare Protection (CHAMP) Act passed by the House earlier this year.

We hope that your committee will address these issues in any Medicare legislation you may develop.

Sincerely,

The American Association of Homes and Services for the Aging  
The Catholic Health Association  
Lutheran Services in America  
United Jewish Communities  
Volunteers of America

cc: Senate Finance Committee Members