

# Uncompensated Care

## Medicare Bad Debt Coverage to Skilled Nursing Facilities: A Critical Lifeline



The federal government requires that beneficiaries who receive care in a skilled nursing facility (SNF) must pay their Medicare co-pay on the 21st day of a Medicare-qualified stay. These beneficiaries are either seniors solely on Medicare, or seniors who qualify for both Medicare and Medicaid, known as dual eligibles. Very rarely are these beneficiaries financially able to cover the co-pay. In particular, dual eligibles, by definition underprivileged, account for more than 90 percent of the bad debt incurred in SNFs. This leaves a gaping hole for SNFs that must recover the costs of providing care to these vulnerable seniors.

Currently, the Medicare program allows SNFs to turn to the government to recoup some of the cost. When dealing with dual eligibles, the federal government allows the state Medicaid program to provide a reimbursement for the unpaid co-payment. However, the Medicare statute allows the states the ability to pay an amount less than the full co-payment or even refuse to reimburse the co-pay entirely. Because the vast majority of bad debt is directly related to this failure of the government to cover the cost of the federally mandated copay, SNFs would be forced to provide billions of dollars in uncompensated care without any legal recourse due to Medicare and Medicaid protection under federal law.

Recognizing this imbalance, the federal government has traditionally provided a remedy to allow SNFs to make up much of the cost associated with patients' bad debt. Currently, Medicare reimburses SNFs the remaining copay that the states fail to provide for dual eligibles, and reimburses a portion of the copay that seniors solely on Medicare are unable to pay. This has been a key element in ensuring SNFs can continue providing care to vulnerable seniors on both Medicaid and Medicare.

Recent proposals have suggested reducing Medicare bad debt coverage to SNFs to 55 percent by 2015. This would have an adverse effect on facilities around the country, impacting not only their bad debt coverage, but their entire Medicare reimbursement. In the 19 most-impacted states and the District of Columbia, such proposals would result in a total Medicare payment cut greater than sequestration. This reduction would add an additional strain to a sector that has already been rattled with rounds of government reductions and threaten their ability to provide care to vulnerable seniors. Congress must look at other avenues to find government savings that don't jeopardize access to care and protect the current bad debt reimbursement lifeline for SNFs.

### Ask Congress...

- To protect the care SNFs provide to vulnerable seniors on Medicaid and Medicare by maintaining the Medicare bad debt reimbursement policy currently in place.

### Key Facts

- The federal government requires a copay after the 21<sup>st</sup> day of a Medicare-qualified stay in a SNF.
- Many dual eligibles are unable to pay, as they are poor, and make up 90% of the bad debt incurred by SNFs.
- Per the Medicare formula, the state Medicaid program is allowed to pay a reduced copay or none at all.
- SNFs have no legal remedies to receive the remaining balance because of Medicare and Medicaid laws.
- For this reason, the federal government has reimbursed SNFs for this debt to ensure facilities can continue providing care to vulnerable seniors.
- Congress should maintain this lifeline to SNFs and protect access to care for the frail elderly.

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