

Jim: Hi, I'm Jim Berklan, editor of McKnight's Long-Term Care News. I'm here at the annual NIC conference with Tom Scully, former Centers for Medicare & Medicaid Services administrator. And now in the private sector in New York. Tom, we're interested. What are your thoughts on the Supreme Court's decision on the healthcare reform law will mean for this sector moving forward?

Tom: It's probably going to depend on the outcome of the election to a large degree. If President Obama gets elected, I think some of the southern governors who've said they're not going to take the Medicaid money will probably gradually succumb and take it anyway. If Romney gets elected president, I think you'll see a whole slowing down of the ACA. I doubt it can be repealed but all these governors are unsure if they'll take the money probably won't. You'd think you can argue that the whole push on new Medicaid money puts pressure on the SNF rates for Medicaid. It's a mixed bag for the nursing homes since most of the new Medicaid money is going to acute care coverage....So I think, if I had to bet, President Obama is pretty likely to win. I think the ACA will keep being expanded and probably going to focus on new money and new coverage and probably put a little pressure on nursing homes. States won't have to put up the money up front. But eventually they're going to have to work on some money and that's going to cause pressure.

Jim: Here's what we're thinking, if you were a CMS administrator today, how do you think you would respond to, I don't want to say crises, but situations...

Tom: You know, crises and my frustrations with the nursing home guys I worked with for years, they talk about Medicare, Medicare, Medicare. But the Medicare rates are pretty healthy

and pretty good. And people on the Hill and MedPAC and the administration see 20% or 25% margins and they say 'you're overpaid in Medicare.' Nursing homes lose a ton of money in Medicaid, which I spent a lot of time at CMS talking about. The issue is making sure the nursing home industry as a sector has a reasonable return of equity holders and debt holders still want to invest we need to build new nursing homes. We've got a tidal wave of seniors coming. So I am a broken record on this. I think nursing homes need to educate people a little more about Medicaid. They get hammered on Medicaid, and they just go back to the Hill and say 'pay us more in Medicare.' Well, most people in Congress and the Administration don't understand the overall big picture. They say 'You're doing great in Medicare.' So I think it's a matter of more and more education for people in Washington on how bad Medicaid is.

Jim: But there's no quick fixes on Medicaid though?

Tom: No! The fact is, governors have big fiscal problems. They have more mandates every day saying cover more and their budgets aren't in great shape. What are they going to do? They're going to keep coming back and squeezing rates. Then when they don't make money they're gonna say, 'how about more provider taxes?' And more ways. They don't want to put up their own money and most states aren't putting up much as it is. There's all these other backdoor schemes to get provider taxes we totally understand that hospitals and nursing homes, we've been going around and around for years. At some point it's a boxed canyon, states are just cashing out their own money. And in the long run it's just making life more difficult. So if I were in the nursing home business, I would be doing the same thing with the state legislatures. In the long run it's very unhealthy. At some point they've got to understand, they've got

to pay for patients and they've got to have reasonable rates.
There's no easy fix.

Jim: Well thank you very much. It should be interesting going forward.