An 11.4 percent cut in Medicare payments to U.S. nursing homes takes effect this month, which, combined with a 6.5 percent rollback in state Medicaid reimbursements, will leave some Florida facilities with no way to meet payroll expenses.

Patients and their families can expect to see diminishing staff and disappearing amenities, from group therapy to housekeeping. But even more alarming, operators say, is the prospect of no beds available for the sickest patients, who need the highest -- and most costly -- levels of nursing.

As a result, hospitals will likely be forced to keep more people who could be cared for more comfortably and economically in nursing homes. This, critics say, amounts to both shortsighted fiscal planning and bad medicine.

The national Medicare cut, announced in May, is intended to recover expenses from 2010, when a new payment formula was deemed overly generous. But Florida nursing homes, especially, have relied on the extra money to help cover losses on their Medicaid patients. An unknown number of homes are expected to close unless some government funds are restored in time.

Because staffing makes up 70 percent of a facility's costs, and 80 percent of Florida nursing home patients rely on government funding, job losses are a certainty, said Kristen Knapp, communications director for the Florida Health Care Association, an industry trade group.

Its efforts, she said, are focused on trying to convince the Florida Legislature to restore some funds cut from Medicaid this year, and to prevent further cuts in Washington by the congressional "super committee" that is addressing federal deficits.

If that committee fails to agree on a package of cuts and revenue increases, it will trigger an automatic added cut in Medicare nursing home funds of about 2 percent.
Medicaid is the state-administered program that subsidizes long-term care for those who cannot afford it. Even before this year’s cut by the Legislature, operators say, Medicaid payments fell short of their expenses -- especially since poorer patients often have more health issues and complications.

Medicare, the federal health program for Americans over 65, only covers nursing home care when it follows a hospitalization of at least three days. It pays full costs for the first 20 days, and a portion for the next 80. The average Medicare-funded nursing home stay is about 23 days.

For now, Knapp said, the Medicare cutback means a loss of almost $332 million this year for Florida nursing homes -- more than 7 percent of the $4.47 billion cut nationwide. The state has more than 700 skilled-nursing facilities with an estimated 71,000 residents.

Hardest hit will be places that specialize in treating short-term patients after hospital stays -- like the Inn at Sarasota Bay Club, which offers rehabilitation to surgical patients.

"The majority of the folks that we serve at the Inn are Medicare patients, so that revenue stream to us is, more or less, $6 million a year," said Steve Roskamp, a partner in Roskamp Patterson, which owns the facility. "We expected a correction, because we were getting a few more bucks a day than what we expected. But an 11 percent correction was not what we expected it to be."

Sandberg, the Inn's administrator, pointed out that Medicare funds help subsidize the 15 percent of its population who are Medicaid patients. Roskamp said the annual reimbursements from Medicaid are about $50,000 less per patient than from Medicare or private insurance.

Sandberg predicted that while some shaky nursing homes will go under, stronger ones will be forced to choose residents carefully.

"There's going to be a lot more screening of patients from all perspectives," Sandberg said. "It's a way of rationing care without saying you're doing it."

At the Pines of Sarasota, where almost 70 percent of residents rely on Medicaid, CEO John Overton has tried to keep the facility viable by expanding its rehab services and attracting more Medicare patients. He said this year's Medicaid cuts already inflicted harm.

"We had to say goodbye to a number of our caregivers" in August, Overton said. The Pines is still above state-mandated staffing requirements, he said, but the cuts came in nursing as well as other departments.

In a nursing home, this can quickly translate to quality-of-life issues, such as figuring out how much time can be spent bathing a combative dementia patient, or soothing someone who is depressed after a painful surgery.
Even with the 11 percent cut, it makes sense for the Pines to pursue more Medicare patients, Overton said. But that could change if the federal government goes any further.

Sandberg said the problem is that patients with complications cost more to serve under Medicare, but the reimbursement rate is the same as for those with fewer problems. For example, she said, surgical patients who have hardware failure after a joint replacement are often prescribed antibiotics such as Cubicin, which costs about $500 a day.

"So now, those patients, where are they going to go?" she asked. "This will be the next set of people who won't get services."

Joseph Ouslander, a geriatrician and professor at Florida Atlantic University who advises the federal government on health care quality, said an added stress on nursing homes is the move to keep them from sending their sickest patients back to the hospital so often.

No matter how much it costs to provide high-level nursing at a facility, he said, it costs much more at hospitals and is disruptive for patients -- especially those with dementia.

"Over the next few years there's going to be a lot of pressure to reduce unnecessary hospital admissions and readmissions," he said. "I think the nursing homes will need more resources from Medicare, not less. But the critical issue is how those resources are targeted."

For Overton of the Pines, the concern goes beyond this year. He wonders how many nursing homes will still be around to meet the needs of baby boomers.

"I just received my Medicare eligibility last month," he said. "I worry about the ability of Medicare patients to receive the benefits they've paid for over the years."