



**House  
Legislative  
Analysis  
Section**

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**MEDICAID PAYMENTS TO NURSING HOMES**

House Bill 4457 as introduced  
First Analysis (6-4-87)

Sponsor: Rep. Perry Bullard  
Committee: Social Services & Youth

**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 "transfer trauma". "Transfer trauma" occurs when a patient who has been used to living in one place gets transferred to another. The trauma is especially severe for older, frail patients and can sometimes result in death. Medicaid patients in particular are more apt to develop transfer trauma because nursing homes are more likely to transfer them to another home with hopes of getting a new patient who will pay higher daily rates. Legislation protecting Medicaid patients from the trauma of transferring from nursing home to nursing home is needed promptly.

**THE CONTENT OF THE BILL:**

The bill would amend the Social Welfare Act to require a nursing home to notify the Department of Social Services before withdrawing from participation in the Medicaid program. After notifying the department, nursing homes could refuse to admit new patients who received Medicaid. However, the nursing homes would still have to participate in the Medicaid program for patients admitted before the date notice was given to the department, for patients currently eligible for Medicaid, and for those patients who might be eligible to receive Medicaid in the future.

MCL 400.111b

**FISCAL IMPLICATIONS:**

According to the Department of Social Services, the bill would have no fiscal implications to the state. (6-3-87)

**ARGUMENTS:**

**For:**

The nursing home business is just like any other business, i.e., owners want to make a profit. Medicaid payments are lower than private pay; thus, nursing homes favor private pay patients. Sixty percent of patients who start out on private pay plans exhaust their financial resources within the first year of living in a nursing home. Therefore, it pays for nursing homes to admit private pay patients and then have them transferred when they can no longer afford the homes' rates. Further, many homes discriminate against Medicaid patients in favor of private pay patients. For example, some homes have vacant beds and extremely long waiting lists. Yet, they keep their beds open until they can find patients who have private pay as opposed to Medicaid. Again, once the homes do find private pay patients they transfer the Medicaid patients to make room for the others.

The bill would reduce the need of Medicaid patients to transfer by providing that the homes would have to maintain care of the patients and accept Medicaid payments. In addition, it would afford some measure of security to the patients by providing that Medicaid payments would have to be accepted for those patients who would be eligible for Medicaid in the future.

**Against:**

There is nothing wrong with nursing homes wanting to make a profit. However, there is something wrong when the state tries to interfere with an honest business.

Medicaid patients are a burden to nursing homes. They do not pay for all of the care which they receive and private pay patients end up subsidizing them. Subsidizing results in less profit for the homes, which 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". Many patients who aren't on Medicaid to begin with end up on Medicaid. However, no one knows when exactly when the patient will begin Medicaid; it could be a few months from the date the home decides to decertify or it could be a few years. If nursing homes are held accountable for patients who may be eligible to receive Medicaid in the future, the homes could conceivably be stuck with Medicaid patients forever. In addition, it would limit their ability to accept private pay patients.

**Response:** The average stay of nursing home patients is four years. Therefore, nursing homes would not be stuck with Medicaid patients "forever". The bill would, however, give the patients who were in the nursing home a certain measure of security and fewer risks of developing "transfer trauma".

**POSITIONS:**

Citizens for Better Care, Inc. support the bill. (6-2-87)

The Service Employees Union International, AFL-CIO supports the bill. (6-2-87)

The Michigan Non-Profit Homes Association opposes the bill. (6-2-87)

H.B. 4457 (6-4-87)