BACKGROUND PAPER:
History of Wisconsin’s Nursing Home Bed Tax

Background: Twenty-four years ago the nursing home bed tax was adopted in Wisconsin as a mechanism to generate federal matching funds that would be used exclusively to support and improve resident care. Today, the average nursing home pays $204,000 in nursing home beds taxes per year ($170 per month-per bed X 12 months=$2040 X 100 beds=$204,000). The following provides a summary of the genesis of Wisconsin’s nursing home bed tax. It depicts how the bed tax has been misused and transformed into a budgetary tool to address state fiscal needs at the expense of those who receive and provide nursing home care.

Original Bed Tax: The nursing home bed tax first surfaced in WI in 1991. The original tax adopted by the Legislature was a $32 per month tax on occupied beds - unoccupied beds were exempt. Also, Medicare beds were exempt. All bed taxes paid and all federal funds generated by the tax were re-channeled back to nursing homes thru the nursing home payment formula.

The 2003-05 State Budget: The federal government passed regulations in 2003 that prohibited states from providing a “full pass-through” or dollar-for-dollar return of the bed tax. In his proposed budget, Governor Doyle changed the bed tax to include all licensed nursing home beds. Also, Governor Doyle proposed increasing the bed tax from $32 per month to $116 per month. The Legislature included the proposal to tax all licensed beds, but reduced the proposed bed tax to $75 per bed, per month.

The 2005-07 State Budget: Governor Doyle once again proposed an increase in the nursing home bed tax from $75 to $125, and recommended that one-half of the federal matching funds from the bed tax be applied to the Medicaid program. The Legislature (controlled by Republicans) rejected the Governor’s proposal, and passed the budget with a 1.4% increase in reimbursement for nursing homes. Governor Doyle vetoed the proposed increase, which was overridden by a one vote margin in the Assembly, but not in the Senate. Six months later, the Legislature agreed to provide a .35% funding increase in 2005-06 and a 2.8% increase in 2006-07.

The 2007-09 State Budget: Governor Doyle again proposed an increase in the bed tax to $101.10 in 2007-08 and $125.33 in 2008-09. The Legislature rejected the Governor’s proposal, and provided no increase in 2007-08, but a 5% increase in 2008-09. The 5% increase was partially funded through $13.8 million in bed tax generated matching funds the state had in past years “skimmed” and was deposited in the state’s general fund. As a result of the Legislature’s actions, all federal matching funds generated by the bed tax were directed for nursing home reimbursement, the original intent of the bed tax.

The 2009-11 State Budget: Governor Doyle proposes to double the bed tax from $75 to $150 per month in 2009-10, and to $170 per month in 2010-11, which was approved by the Legislature, with most of the federal dollars generated (estimated skim of $50 million) used to fund other Medicaid expenditures. While the budget included a 2% rate increase for nursing homes, Governor Doyle directed DHS to cut $625 million from the Medicaid program, which cut reimbursement to a 1.2% increase (not 2%) in 2009-10, and a .7% rate cut in 2010-11.
The 2011-13 State Budget: The budget proposed and signed into law by Governor Scott Walker (Act 32) sought no increase in the nursing home bed tax. This was the first time in over a decade that a bed tax increase was not proposed. It included a 1% acuity adjustment for nursing homes that would, in part, address the increased care costs of our residents and invested more than $1.2 billion in GPR funding to stabilize the Medicaid program. As a result of the massive deficit confronting the administration, the bed tax “skim” (estimated at $45 million) continued.

The 2013-15 State Budget: Once again, Governor Walker’s budget does not seek an increase in the nursing home bed tax and proposes a 2% increase in Medicaid funding for nursing homes in each year of the biennium. The Governor notes that the budget “will reduce prior administration revenue transfers by increasing nursing home reimbursement rates….” Budget related documents do not portray the Governor’s proposal as a rate increase, but rather as an “acuity increase” that recognizes the elevated conditions and needs of nursing home residents. Governor Walker is the first Governor to proactively address the controversial nursing home bed tax issue with a focus of restoring the integrity, equity, and mission of the nursing home bed tax.

The 2015-17 State Budget: Governor Walker’s proposed 2015-17 budget includes a 0 percent increase for skilled nursing facilities, a departure from his previous 2 budget proposals that recognized the need to increase reimbursement to nursing homes caring for residents with increased acuity services. Recently, the Department of Health Services has identified the need to increase reimbursement to nursing homes by .75% (approximately $18.7 million all funds) to reflect the increased costs nursing homes will experience as the care demands of our residents increase. With the cost of providing this essential care going up every day, in real terms, a 0 percent adjustment for Wisconsin’s skilled nursing facilities means a rate cut for long-term care providers.

WHCA/WiCAL continues to pursue complete restoration of the integrity and equity of the nursing home bed tax. Indeed, the rededication of all nursing home bed payments to their original purpose is needed now more than ever before. We are requesting the return of the nursing home bed tax “skim” of $15 million (all funds) for its intended purpose, nursing home resident care.