

CALIFORNIA LEGISLATURE

Senate

STATE CAPITOL
SACRAMENTO, CALIFORNIA
95814

August 12, 2010

The Honorable Arnold Schwarzenegger
Governor of California
State Capitol
Sacramento, CA 95814

RE: Taxing Individuals' Retirement Savings to Fund Skilled Nursing Facilities

Dear Governor Schwarzenegger:

We are writing to urge you to modify the Department of Health Care Services (DHCS) proposal to tax all multi-level retirement communities (MLRCs) in California. MLRCs were exempted under the initial legislation (AB 1629) because their long-term care services are partially pre-paid by residents, many of the MLRCs' nursing homes are too small to make taking Medi-Cal residents a cost effective option, and MLRCs as a group care for only 4.4 percent of all Medi-Cal patient days.

Private pay residents in nursing homes are currently subsidizing Medi-Cal. The proposed tax asks this same small group of Californians to further subsidize Medi-Cal, without any benefit accruing to the person paying the tax.

Our concern with the DHCS's TBL proposal is that it unfairly taxes people who have done what California leaders, Governors and legislators, have consistently asked of them: work hard, save your money, pay-off your mortgage and fund your own retirement. Now for the people who did that, with an average age of 87, lying in a nursing home bed, the state proposes to tax them, again. This tax will have a devastating impact on private pay residents and the communities that they call home.

This proposal is particularly devastating to non-profit nursing homes because, while just 16 percent of California nursing homes are not-for-profit, not-for-profit communities care for 68 percent of private pay residents in the state. And it is the private pay residents who are being taxed. Non-profit organizations do not have the range of financial capital resources available to for-profit organizations. Because their overwhelming source of funds come from their residents, the tax will have to be passed-on to the residents. Why do such residents have a greater obligation to fund Medi-Cal than taxpayers in general?

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Hon. Gov. Schwarzenegger

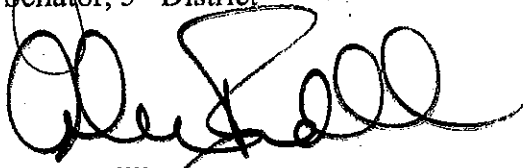
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The proposed new tax is clearly unfair. Fortunately, you have other options. We respectfully urge you to direct the DHCS to develop a proposal that treats private pay residents fairly. Other states (Massachusetts, New Jersey, Iowa) have developed nursing home "taxing" programs, which have been approved by the Center for Medicare & Medicaid Services (CMS), and that recognize and account for the inequities to private pay residents under the DHCS's proposal. California's senior citizens deserve the same consideration and protection from their elected officials, that Massachusetts, New Jersey and Iowa give their citizens.

Sincerely,



Lois Wolk
Senator, 5th District



Alex Padilla
Senator, 20th District