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New York State Health Facilities Association

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New York State Center for Assisted Living

Testimony of:

**NEW YORK STATE
HEALTH FACILITIES ASSOCIATION**

on the

2017–18 New York State Executive Budget Proposal
Health & Mental Hygiene
Article VII Bill

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Introduction

Good afternoon. My name is Stephen Hanse and I have the privilege of serving as President and CEO for the New York State Health Facilities Association and the New York State Center for Assisted Living. Joining me today is our Legislative Chair, Mark Olsen, Administrator for the Kingsway Arms Nursing Center in Schenectady, New York.

NYSHFA and NYSCAL members and their 60,000 employees provide essential long term care to over 50,000 elderly, frail, and physically challenged women, men and children at over 350 skilled nursing and assisted living facilities throughout New York State. Shelley Wagar, Executive Director for NYSCAL, will be providing separate testimony today focusing on the longstanding need for New York to increase the Supplemental Security Income rate for individuals in Adult Care Facilities.

Recent Budgets

As we sit here today, New York's long term care providers face significant challenges as a result of the State's transition to managed long term care, recent State Budget constraints and certain initiatives proposed in the 2017-18 Executive Budget.

Over the past 10 years, funding cuts to New York's long-term health care sector have exceeded \$1.8 billion. Initiatives implemented by the Medicaid Redesign Team ("MRT") have resulted in approximately \$800 million in cuts over the past four fiscal years, and the potential for additional federal Medicare and Medicaid cuts only exacerbates New York's already fragile long term care finances.

For example, at \$47.40 per patient per day, New York unfortunately has the Nation's second largest shortfall between Medicaid payment rates and the cost of providing necessary patient care.

As we enter into our 9th year without a trend factor for inflation, New York's long term care providers have worked hard to endure past budget cuts.

Recognizing these constraints, it is important to note that the 2014-15 enacted State Budget eliminated the MRT imposed 2 percent across-the-board provider rate cut for nursing homes effective April 1, 2014.

To date, this initiative would have restored \$420 million to long term care providers throughout New York State over the past three fiscal years, however, the State has yet to provide even the State share of these needed funds.

As New York's long term care providers enter into year six of the State's pricing methodology for reimbursement, transition to a managed long term care environment and face numerous economic pressures, it is critical that the 2017-18 enacted State Budget provide a level of financial stability that will ensure the continued delivery of high quality long term health care services throughout New York.

2017-18 Executive Budget

With these issues and constraints serving as a backdrop, I would like to briefly speak to four critical long term care issues concerning the 2017-18 Executive Budget:

- I. NYSHFA's opposition to the Executive's proposal to eliminate Bed Hold payments for skilled nursing providers;
- II. The importance of establishing a separate managed long term care rate cell for nursing home care within the 2017-18 Budget;
- III. The need to extend the nursing home benchmark rate in the 2017-18 Budget; and
- IV. The importance of funding infrastructure investments for skilled nursing and assisted living providers within "Health Care Facility Transformation Program" proposed within the 2017-18 Executive Budget.

I. Oppose the 2017-18 Budget Proposal to Eliminate Nursing Home Bed Hold

The 2017-18 Executive Budget proposes to eliminate Medicaid payments to skilled nursing providers to hold beds for residents who are temporarily hospitalized.

Presently, New York reimburses skilled nursing providers with at least 95 percent occupancy at 50 percent of their Medicaid daily rate for up to 14 days in a calendar year for residents who are admitted to a hospital.

A nursing home's costs do not decrease when a bed is vacant. Moreover, as a consequence of the 2011 MRT cuts to skilled nursing providers, Medicaid pays only half of the daily rate to reserve a bed for a resident who is hospitalized.

The Executive Budget proposal to eliminate bed hold reimbursement would further reduce funding for nursing home care by \$22 million per year, while imposing an unfunded mandate that skilled nursing facilities hold the resident's bed.

While the State's current 50 percent reimbursement is insufficient, New York's bed hold requirements provide an essential source of revenue to skilled nursing providers. These payments help offset fixed costs while ensuring a nursing home resident is able to come back from the hospital to their original room with their original clinical staff so as to ensure both the continuity of their care and the normalcy of their life and living environment.

Consequently, NYSHFA respectfully requests the Legislature to reject the unfunded bed hold mandate set forth in the 2017-18 Executive Budget.

II. Establish a Separate Nursing Home Rate Cell

Turning now to the State's transition to Managed Long Term Care. There are several proposals in the 2017-18 Executive Budget concerning certain aspects of the State's efforts to move long term care residents into managed care. However, these proposals fail to address the payment shortages both plans and providers face in providing necessary long term care. As such, NYSHFA respectfully requests that the Legislature establish a separate nursing home rate cell within the enacted 2017-18 State Budget.

Medicaid beneficiaries aged 21 or older who enter a nursing home for long term care and are also Medicare eligible are required to join a Managed Long Term Care plan.

New York currently utilizes a blended rate methodology to calculate premium payments to managed long term care plans to pay for care for these beneficiaries. This blended rate combines the generally lower cost of community care with the higher cost of nursing home care.

Faced with inadequate payments for the Medicaid nursing home benefit under this blended rate coupled with growing numbers of nursing home enrollees, many managed long term care plans have reduced their provider networks and are under pressure to select network providers simply on price rather than quality or consumer preference. This is adversely affecting enrollee choice and is impairing the financial ability of nursing homes to provide needed care.

To ensure that there is sufficient funding to cover the cost of nursing home care, NYSHFA respectfully requests that the enacted 2017-18 State Budget establish a structure whereby managed long term care plans receive funding based on a separate single rate cell for individuals who are receiving nursing home care.

This separate single rate cell would fund managed long term care plans based on the cost of nursing home services and be risk adjusted to reflect the clinical complexity of each plan's nursing home enrollees.

III. Extend the Nursing Home Benchmark Rate

In 2015, the State established a "Benchmark Rate" that would be paid by managed long term care plans to contracted skilled nursing facilities for each day of care provided for a 3-year period.

Generally speaking, the Benchmark Rate is a provider's fee-for-service Medicaid rate and it is set to sunset in 2018. In establishing the Benchmark Rate, the State acknowledged that it will assess the impact of its long term managed care policies and consider extending the benchmark rate beyond the 3-year requirement.

The Benchmark Rate provides skilled nursing facilities with vital rate stabilization and has secured the capital rate component necessary to help fund needed facility

renovations in order to optimize resident care. As such, the Benchmark Rate has served to provide a level of certainty to providers that will be necessary for the State's managed long term care program to continue beyond the rate's sunset date. This certainty is essential, especially as many providers face delays in timely payments for care from long term managed care plans.

Without an extension of this important rate protection in the 2017-18 Budget, nursing homes will face reductions to already inadequate Medicaid payment levels.

As such, in an effort to ensure a level of stability and certainty for residents and providers as the State continues its transition to long term managed care, NYSHFA respectfully requests the Legislature to extend the protections of the nursing home Benchmark Rate for 5 years, until December 31, 2022, within the enacted 2017-18 State Budget.

IV. Funding for Facility Modernization and Reconfiguring

Included within the Executive Budget is a proposal to authorize up to \$500 million in new capital funding for health care providers through a "Health Care Facility Transformation Program."

Many nursing homes throughout New York were built several decades ago and are in need of capital upgrades. Moreover, ongoing Medicaid and Medicare policy changes, coupled with evolving nursing home care delivery systems, require new specialty services, systems and delivery models.

However, nursing homes and assisted living providers have received little State financial support to invest in the critical infrastructure needed to survive in today's changing health care environment.

As such, we respectfully request that the Legislature allocate \$200 million of the Statewide Health Care Transformation Program funding proposed in the 2017-18 Executive Budget for skilled nursing and assisted living infrastructure. These funds are essential to ensure adequate investment in health information technology, and nursing

home renovation and reconfiguration initiatives that will help modernize the State's outdated long term care infrastructure and further improve the quality of life for our residents.

Conclusion

In conclusion, it is vital that the 2017-18 enacted budget establish a separate single rate cell for nursing home care and extend the nursing home Benchmark Rate to ensure the continued delivery of high quality cost effective long term care as the State continues to pursue its transition to managed long term care.

Moreover, it is essential for the State to dedicate funding for skilled nursing and assisted living infrastructure investments within "Health Care Facility Transformation Program."

In closing, I would like to note NYSHFA's support for the Governor's 2017-18 budget proposal to establish a multi-stakeholder "Health Care Regulation Modernization Team" to provide the State guidance on restructuring and streamlining statutes, regulations and policies affecting health care providers and facilities. The stated goals of this initiative are commendable and it is critical that long term care providers are represented on the Team.

As always, the New York State Health Facilities Association will continue to work together with the Governor, the Legislature and all affected constituencies to ensure the continued delivery of high quality, cost effective long term health care services throughout New York.

Thank you.

