Infrastructure and Capital Improvement Subcommittee

Assumptions and Recommendations

Layout and Facilities Design

1. Assumptions/Insights:

- Most designs reflect older medical model configuration (vs. decentralized household/neighborhood model)
- Major renovations are difficult given age of buildings, presence of residents/staff, COVID complications
- Resident room renovations are expensive: estimated at around $200-250/sq. ft.; total replacement could exceed $100 million
- Regular/long-term maintenance has often been neglected or shortchanged because of budget constraints, exacerbating facilities issues (e.g., malfunctioning sprinklers/AC units)
- Relatively little thought given to outside spaces; ingress/egress; visitation needs
- Downsizing census (via CON) to improve health/safety creates fiscal strains because of reduced Medicaid reimbursement

2. Recommendations:

- **Conduct an Infrastructure Needs mapping** across LTC facilities to identify high risk facilities and project priorities
- Renovations should be pursued where possible **to reduce room density (1-2 residents/room**), cross-contamination (via improved circulation, ventilation) and accommodate typical human traffic; using existing CON process to evaluate capital need based on factors including (but not limited to) local bed availability, quality ratings, Medicaid census and financial viability

- **Renovations ideally pursued without residents/staff present** but still possible otherwise (ideally where they can be isolated on separate floor or wing) with rigorous construction/testing protocols
- **Maintenance protocols and staffing should be strengthened** to mitigate deterioration and enhance health and safety (mandate staffing levels or protocols?)
- **Consider conversion to household model congregating and dining areas**, to facilitate quarantine/cohort by household group (instead of confining residents to rooms)
- **Create safe, dementia-friendly outdoor/indoor 'visitation' promenades** with wide, even walkways, seating areas, park benches, clubhouses/greenhouses (with healthy heating options for winter use)
- **Encourage homes to provide child care space** within the facility, offering a significant benefit to nursing home workers, and improving the quality of life for residents via intergenerational social interaction (perhaps also as an alternative revenue source?)
- **Closely analyze/monitor corporate structure** of for-profit nursing home operators **to prevent self-dealing** (e.g., contracting with a related entity to "perform renovations")
- **More clearly define distinction between "repair" and "renovation" terms**

Air Flow/Filtration Systems and Technology (including IT)

1. Assumptions/Insights:

- Given age of majority of facilities, many HVAC systems are as old as the buildings, at or beyond the end of their useful and depreciable lives
- Replacement of HVAC systems both expensive and complicated for most homes (i.e., opening walls reveal unexpected problems)

- Many HVAC systems are not totally effective in eliminating COVID-like viruses; some can be upgraded to improve filtration/circulation
- Most effective short-term solution to combat COVID involve small, portable units using new and existing technologies which are generally affordable and easily installed
- Many facilities lack total/robust WiFi coverage or adequate IT bandwith to manage increased internet demand and accommodate virtual visits

2. Recommendations:

- As part of Infrastructure Needs analysis, **assess condition of industry facilities' HVAC systems** and identify systems at risk
- Encourage homes to **immediately purchase small units to enhance circulation/filtration**, particularly in high-traffic areas (some vendors identified); push ACH to at least 2-6
- Require homes to **assess IT capabilities and assure resident/visitor access via internet**,; perhaps portable digital no-touch communication devices for each household/wing

Financing and Reimbursement

1. Assumptions/Insights:

- Cost of major renovations beyond ability of many homes to finance without significant help (robust fundraising, additional sources)
- Current reimbursement formulas do not incentivize necessary upgrades/renovations
- CON required for capital improvements greater than $2 million
- Financing through banks/financial institutions challenged by insufficient real estate value/cash flow via reimbursements to qualify

2. Recommendations:

- Funding ideally accomplished through **increased rate reimbursement** to leverage Federal dollars (vs. capital financing)
- Seek to **fully fund the current rate system** so that nursing homes receive the full amount of the calculated Medicaid rate to cover actual costs, improving cash flow business and real estate value (more attractive to capital sources), and move into the new acuity-based rate system under a healthier financial model
- **Recalculate Medicaid rates for voluntarily reduction of beds in service**, perhaps officially recognizing current licensed bed capacity, but allowing homes to take beds out of service for a temporary/indefinite period (until allowed to return them to service)
- **Consider revising Medicaid reimbursement rate of return assumptions** by indexing rate to minimum wage increases

- Establish a **forgivable loan program** so homes can borrow the necessary funding for certain capital improvements; loan forgiven if the home meets the conditions, e.g., immediate construction, COVID-related renovation/equipment purchase , energy efficiency projects, replacement or repair of fully depreciated assets (project cost would not be added into the Medicaid rate as a fair rent component)

- Establish a **loan guarantee program** that to secure/ reduce the cost of borrowing for the provider, increasing access to financing (perhaps with annual cap, borrowing limit); perhaps facilitate access to tax-exempt bond market

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- Establish a **long-term bonding or direct lending program** to address non-cosmetic physical plant needs (perhaps a revolving loan fund)
- Consider initiating a **debt capacity analysis** for homes to determine feasibility of financing larger projects
- **Prioritize investment in facilities which meet/exceed staffing minimums and invest in long-term care workforce**, (benefits and

retention), embrace person-centered and staff-centered care, maintain depreciation maintenance scheduling