Nursing Home and Assisted Living Oversight Working Group (NHALOWG)

Infrastructure and Capital Improvement Funding Subcommittee

Meeting Summary

Wednesday, November 25, 2020

Representative Steinberg convened the meeting and reminded members the subcommittee will meet every Wednesday at 8:30am between now and the start of the 2021 Legislative Session.

Members present: Rep. Steinberg, OPM Deputy Secretary Diamantis, Matt Barrett, Michael Gilbert, Mag Morelli, Rep. Anne Hughes, Christopher Carter, Mark Schwartz and Sen. Paul Formica.

Additional Attendee: Andrew H. Banoff, President and CEO, Jewish Senior Services.

Rep. Steinberg informed the meeting that Department of Public Health (DPH) will be offering a presentation at the next meeting.

Presentation:

Mag Morelli stated she and Matt Barrett will provide a broad overview of the State's nursing home sector from the capital perspective. See documents below:

Mag Morelli and Matt Barrett Presentation

CAHCF CCAL and LeadingAge CT Nursing Home Update

Andrew Banoff stated Medicaid funding and the cost reporting system has been a challenge for years. Jewish Senior Services is a 294 beds skilled nursing facility amongst other things. Medicaid certified costs versus what we get paid due to the caps in the regulatory system is about a $4 million shortfall yearly. Years ago, our Board made a $100 million investment to build a small household model nursing home. This consisted of all private rooms with private bathrooms with individuals sharing the kitchen, dining room, living room, den and balcony spaces. The CON system will pay us about half the investment over a thirty-year period.

Infection control was a huge driver in our investment decision because private rooms and small cohorts was a tremendous benefit to us, our residents and their families in terms of keeping everyone safe. Our facility historically runs a census of 98-99% occupancy. It is now running a little less than 90% and down about 30-35 beds. Financially we are down about $500,000 - $600,000 each month. The impact through our fiscal year was about a $5.2 million in both lost revenue and incremental expenses.

Discussion:

Rep. Steinberg asked the following questions:

- is there a sense of what the occupancy rate should be in order for homes to break even and meet their obligation with the provider tax
- how many homes offer ancillary services such as rehab and dialysis that also provide revenue
- what other things might mitigate some of the issues with under payment of Medicaid

Matt Barrett stated the higher the occupancy the better. It's not a number that fits across the sector because of the mix between private pay, Medicare and Medicaid. If a home is less reliant on Medicaid and Medicare is holding steady, the occupancy might be lower, but it's not an indication of failure.

Mag Morelli suggested looking at each home individually to understand what their rate of occupancy is, what their concern is, and their payor mix. Medicare is down everywhere because elective surgeries are down. The loss of revenue is not just about funding, it's about things such as PPE and other expenses.

Rep. Steinberg asked to what degree ancillary services may reduce the risk of insolvency for some nursing homes.

Matt Barrett informed the meeting that this model does not cuts across the entire sector. Many nursing homes are providing services such as laundry, pharmacy and therapy. Some of these facilities have a split model where the property component and the operational component are separate. This allows for better prices, which create financial stability for the organization. This is a good model but it's not available to the overall sector.

Senator Formica asked the following:

- how will an infrastructure upgrade assessment of the 213 nursing homes be done
- is the $21 (approximately $200 million annually) paid to the State by the 213 nursing homes an offset back to Medicaid in federal contributions
- if this payment was altered to support infrastructure upgrades, would that affect the Federal contribution

He added that the cost will be significant and that there is a need for developing a priority list.

Matt Barrett stated he did not view the provider tax as a funding scheme but rather an opportunity to fully reflect the cost of the Medicaid program and allowing for additional federal funds reimbursement. Under normal circumstances there is a 50% match, under the stimulus package it is over 62.5%. With the addition of the provider tax implication it increases to over 70%. Figuring out a way to use the Medicaid program to finance the costs of upgrades, could yield huge financial rewards. This would maximize the State's Federal revenue opportunities to do it under the Medicaid program and relate it to the provider tax.

Mike Gilbert encouraged the group to be careful when describing the arrangements. To answer Sen. Formica's original question, the tax revenues goes directly into the General Fund and are not used for offsetting Medicaid costs. To Matt's point, the premise of the tax is that additional reimbursement would come to the state. There is reinvestment of portion of the tax revenues, which is equivalent to approximately 50% reimbursement that the State would receive. It was a way of using the tax to give some benefits to the homes and some to the state.

Mike Gilbert offered to provide more specifics and addition clarity around the above structure.

Matt Barrett concurred with Mike's comments and added that this issue cannot be viewed as a way of increasing rates. The law requires that there is a bright line between the tax policy and the spending policy. Looking at the overall picture, it's clear that the tax nursing homes are paying is creating spending opportunities in the tune of approximately $150 million that would not otherwise be there. It's smart to use the Medicaid program and the provider tax example as a method to finance the cost of an increase in a targeted area or in the overall rate system.

Mike Gilbert reminded the group that there are limits on the amount of provider tax that can be assess and that based on the current assessment, Connecticut is very close to that limit.

Mag Morelli referenced Sen. Formica's question on how to conduct the capital needs assessment and costs and suggested inviting DPH to provide the subcommittee with the most recent Capital Needs Assessment.

Rep. Steinberg asked Mag and Matt if they could include capital needs assessment related questions in their upcoming survey. He also asked Mike Gilbert to provide a few slides on the financial model at the next meeting.

Mike Gilbert stated there are other pieces that he wanted to mention or explore further. I certainly could provide additional information around the process and mechanism of the financial model. Before we got to this place and time, we were collectively trying to address right-sizing the industry. The state is challenged by the current situation, at least within the acuity-based rate settings process that is outlined in Statutes. My struggle is how do we focus the efforts of this subcommittee to concentrate on finding strong solution without losing sight of the immediate problems around infrastructure and capital investments in this process. Getting pulled into a greater financial solvency issues very easily could minimize progress.

Rep. Steinberg highlighted the risk of trying to solve too many systemic issues across the industry. He encouraged the group keep focus on COVID-19 related implications.

Andrew Banoff stated that private rooms and co-horting have been the lion share of the discussion with DPH. Also important are:

- good infection control practices
- access control
- temperature screening
- knowing where people are
- knowing where people work
- employee cross-over between organizations

Andrew Banoff added that managing policies associated with employee cross-over is going to be of ongoing importance. There has been discussion with Tony Bruno and his team on:

- Physical plant
- Negative pressure room
- airflow and air-conditioning systems

Mark Schwartz addressed Rep. Steinberg's question on ancillary services and stated that these services can supplement revenue for nursing homes. Ancillary services are considered a marketing tool for nursing homes to attract more patients and higher acuity residents. Another is ventilator beds that typically have a specific licensure requirement and are therefore at a different reimbursement rate.

Rep. Steinberg reminded members that the subcommittee is interested in hearing from subject matter experts:

- to help the group better understand the importance of HVAC systems
- operator of out- of -state facility
- operator of a newer house space model
- someone who renovated a facility to create greater flexibility

Andrew Banoff suggested inviting Tony Bruno to speak to the top ten issues in the state.

Mag Morelli suggested that she and Matt could identify speakers for the following:

- architects and builders who worked on some renovated sites
- ITS expert to highlight the new need for telehealth and visitation
- DPH Epidemiology Division to speak on HVAC and future pandemics

Sen. Formica addressed the issue of HVAC and reminded members it is going to be individual and unique to each facility. He elaborated on the value of air-purification systems and added the filtration systems should be considered when evaluating HVAC systems.

Rep. Steinberg stated people are curious as to how effective the new air purification devices are and the ability to retrofit them in many cases to ancient HVAC systems.

Rep. Steinberg reminded members to submit recommendations for subject matter experts and added that there are only two meetings to hear from experts before discussing recommendations for submittal to the full workgroup.

Rep. Steinberg adjourned the meeting.

Next meeting: Wednesday, December 2, 2020 at 8:30 A.M. via Zoom.