

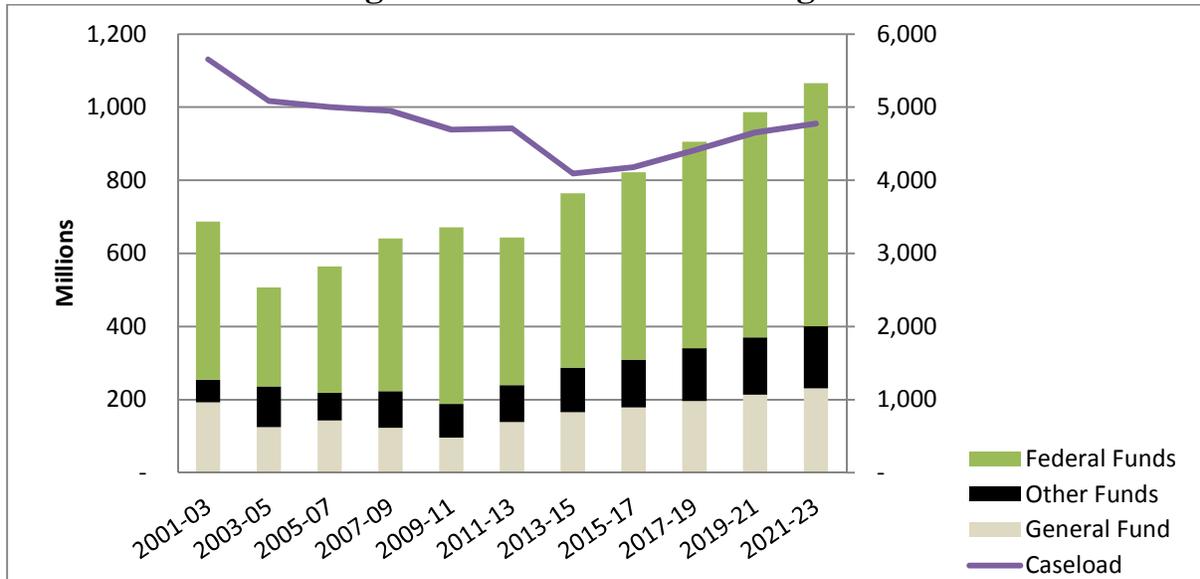
# Department of Human Services: Nursing Facilities

## Aging and People with Disabilities

Primary Outcome Area:  
Program Contact:

Healthy People  
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### Funding and Caseloads for Nursing Facilities



Note: State General Fund investments decreased with the passage of the provider tax. Caseload remains on an overall downward trend as more and more individuals choose to receive long-term care services in a home or community-based setting.

### Executive Summary

Nursing facility services are the institutional option available in Oregon’s long-term care continuum, which also consists of in-home and community-based care. It is generally considered the most restrictive setting of the three options offered. However, this program is essential for individuals with high, acute levels of care and is a mandated federal benefit under the Medicaid program. Nursing facility level of care is the guaranteed benefit (entitlement) by Federal law.

### Program Funding Request

	Nursing Facilities			
	GF	OF	FF	TF
LAB	138,712,688	101,034,764	403,316,216	643,063,668
ARB pre Medicare a/b move	171,977,306	121,556,159	487,425,879	780,959,344
ARB after Medicare move	165,812,475	121,556,159	477,156,018	764,524,652
Difference without move	33,264,618	20,521,395	84,109,663	137,895,676
Percent Change from LAB	24.0%	20.3%	20.9%	21.4%

## **Significant Proposed Program Changes from 2011-13**

<b>Aging and Physically Disabled Investments/Reductions</b>	Nursing Facilities			
	GF	OF	FF	TF
Reinstate Nursing Facility Rates and Provider Tax	(18.72)	53.59	58.08	92.94
Decrease Nursing Facility Caseloads through Diversion/Transition Initiatives	(26.73)	(2.32)	(48.40)	(77.46)
Move Medicare Part A/B Buy-in to OHA to better align program to policy area	(6.16)	0.00	(10.27)	(16.43)

(\$, millions)

The significant change from 2011-13 is an increased effort to decrease nursing facility caseloads to more appropriate and cost effective services. DHS proposes to continue the current provider tax and nursing facility rate structure statute that is set to sunset in 2013-15. DHS and OHA propose moving the Medicare Part A and B premium budget from DHS to OHA to be housed closer to the policy area. This move has a net \$0 impact to the state.

### **Program Description**

Nursing facilities are most appropriate for people who need 24-hour medical oversight and a protective, structured setting. They offer both short- and long-term care options for those with temporary or permanent health problems too complex or serious for in-home or community-based care settings. Nursing facilities are most appropriate for the very sickest of patients. Residents may have medical and behavioral needs that cannot be met in other care settings. Nursing facilities cover basic, complex, pediatric, enhanced care, and post-hospital extended care. Services will vary in nursing care facilities, but generally consist of the following:

- Medical treatment prescribed by a doctor
- Physical, speech and occupational therapy
- Assistance with personal care activities such as eating, walking, bathing, and using the toilet (custodial care)
- Case management
- Social services

Nursing facilities differ from Community-Based Care in that they also provide a high level of medical care, including feeding tubes, skin/wound care, diabetes management and emergent behaviors. Medical professionals also allow the delivery of medical procedures and therapies on site that would not be available in other long-term care facilities.

Oregon currently has 131 licensed nursing facilities with 11,882 licensed beds. These facilities have approximately 2.7 million annual resident days, of which 63 percent are Medicaid clients. The majority of residents were admitted directly from acute care hospitals with a very small percentage admitted from home. Approximately 84 percent of nursing facility residents stayed less than three months. Oregon also had only 15.8 percent of residents staying three months or more, the lowest percentage in the nation. Nearly 86 percent of nursing facility residents are ages 65 and older.

The main cost drivers are the increasing number of eligible clients, the length of stay in a nursing facility and the steady increase in the daily reimbursement rate. The nursing facility reimbursement rate is tied to the provider tax statute. The current nursing facility reimbursement rate is \$212.12 per resident, per day and the provider tax rate is \$17.51. In the 2011-2013 biennium, provider taxes are expected to account for approximately \$82 million of \$668 million in expenditures.

### **Program Justification and Link to 10-Year Outcome**

Long-term nursing care facilities are directly linked to the 10-Year Plan's Healthy People Outcome area. The senior population in Oregon is growing and becoming more diverse. Nursing care facilities are a part of the State's long-term care system that must be in place and prepared to serve this population through dignified and high quality services when the need arises.

Though nursing facility level of care is a guaranteed benefit, Oregon has been the national leader in creating cost-effective alternatives that meet people's needs in their homes and other community settings, such as assisted living facilities, in-home care, retirement communities, residential care and adult foster homes. Oregon strives to provide quality services in a linguistically and culturally competent manner.

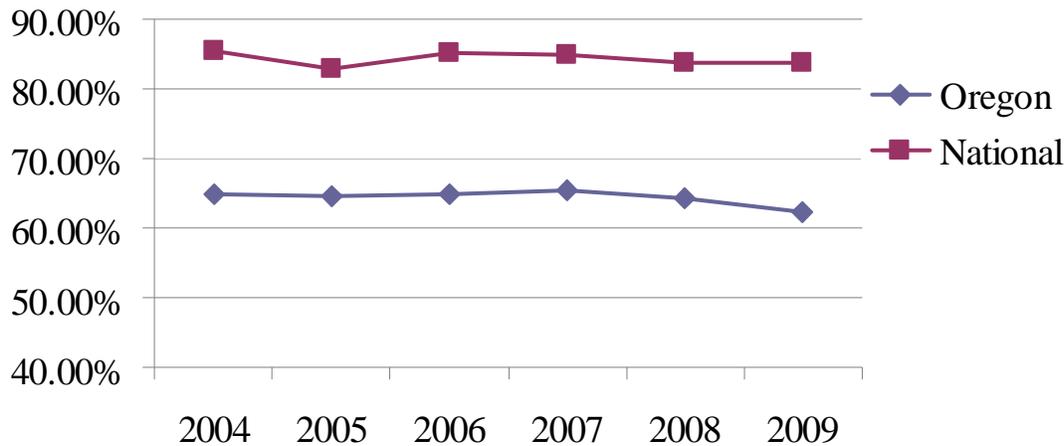
Nursing facilities are a valuable service in our continuum, meeting the needs of individuals with higher acuity levels; however, DHS still believes there are opportunities to decrease its usage. Oregon continues to highlight, strengthen and encourage the use of community-based care facilities instead of nursing facilities. DHS has established a goal of decreasing the percentage of long-term care recipients utilizing nursing facility services from 17.3 percent today to 10 percent by 2020.

### **Program Performance**

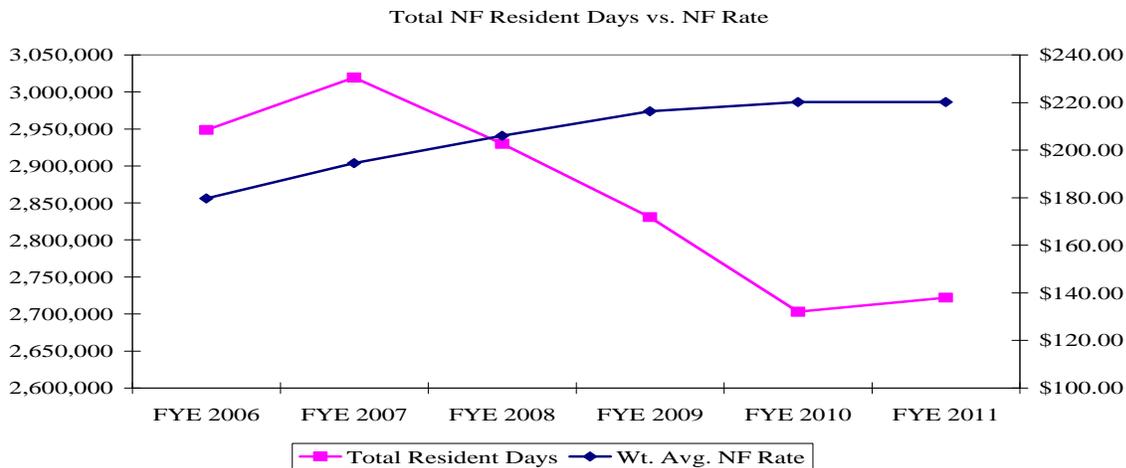
Nursing facilities are heavily regulated by the federal government, and are licensed and routinely monitored by the State. The State establishes requirements for nursing facilities that promote quality care and maximization of personal choice and independence for residents.

DHS has increased its efforts to divert or relocate people who receive Medicaid-funded, long-term care services from nursing facilities into home or community settings. One way performance is measured in this program is by the occupancy percentage of nursing facilities. Oregon has the lowest occupancy in the nation. With the decline in occupancy over the years, APD is strategizing and working with stakeholders on implementing a nursing facility capacity reduction. Rates are currently being driven higher by low occupancy levels. With a targeted occupancy percentage in place for nursing facilities, APD will be able to utilize funds more efficiently.

## National vs. Oregon Occupancy Percentages



Low occupancy rates result in higher costs per resident day since fixed costs are allocated over fewer resident days. The following graph illustrates the inverse relationship between occupancy levels and the rate DHS pays nursing



### Enabling Legislation/Program Authorization

Medicaid is an entitlement program that was enacted in 1965 under Title XIX of the Social Security Act. While States are not required to participate in Medicaid, in order to receive Federal matching funds States must follow the Medicaid rules. Oregon's Long-Term Care system operates under both a State plan (nursing facility services) and a Section 1915(c) waiver, which allows for services in home and community-based settings. The waiver is based on nursing facility level of care and client choice. All clients qualify for nursing facility care but have the choice of receiving care in other settings such as in-home or in community-based care settings, provided their choice is available.

Oregon's nursing facility reimbursement rate and accompanying provider tax authorization is promulgated in ORS 409.736. Both provisions are currently set to expire in July 2014.

### **Funding Streams**

Nursing facility services are funded through the Medicaid program. Therefore, the Federal government pays approximately 63 percent with the remaining 38 percent being split between State General Funds and provider taxes. In the 2011-2013 biennium, provider taxes from nursing facilities are expected to total over \$80 million. There is \$18.7 million in funding from the estates of former recipients. When a Medicaid recipient dies, we are required by Federal law to recover money spent for the individual's care from the recipient's estate. These funds are reinvested in services for other individuals, offsetting the need for general funds.