



A Plan to Stabilize the Rhode Island Nursing Home Industry

Prepared for the The Honorable Members of the General Assembly



Prepared by the Rhode Island Health Care Association

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Introduction

On behalf of the Rhode Island Health Care Association, we are pleased to present you this plan to stabilize Rhode Island's Nursing Home industry. Over the past decade, and continuing into the near future, our industry has faced devastating consequences. We are now at a serious crossroads and in need of stabilization if we are to continue to service Rhode Island's most vulnerable citizens. While our facilities have been properly managed, governmental financial forces and a once in a lifetime Pandemic, have created an existential threat to our industry. We sincerely thank you for taking the time to learn more about our concerns and hopefully start us down a path that will ensure long term viability for our industry.

How Did We Get to this Point?

The Past

- Over the past decade Rhode Island Nursing Home reimbursements have been cut by a **quarter of a BILLION dollars**. How did this happen? Basically, it was a failure of our government to follow their own laws.
 1. State government's failure to fund the nursing home annual inflation index. Legislation passed in 2012 mandating an adjustment to account for inflation on an annualized basis. Since that system was put in place, the statutory inflation adjustment was withheld entirely in 2013, 2014, 2015 and 2017. It was applied in full in 2016, but the legislature required that the resulting increase be used to increase costs by increasing staff compensation (a wage 'pass through'). In 2018 and 2019, the inflation adjustment was applied, but was either capped at a 1% increase or subjected to other restrictions. In 2020 and in 2021, the inflation index was applied, but reduced again by using a never before used inflation index.
 2. The 2012 legislation also mandated a review of Nursing Home expenses known as a Re-Array. The Re-Array was to be conducted every 3 years starting in 2015, with subsequent Re-Array's scheduled for 2018 and 2021. No Re-Array has ever been completed. Why does this matter? Prior to 2012, Rhode Island's Nursing Homes were reimbursed on what is known as a 'cost base' system, based on actual costs filed annually by the Nursing Home Facility. In 2012, this method of reimbursement was changed to a 'price based' system by state statute using estimated cost reimbursements until the mandated 3 year Re-Array was completed. That Re-Array would then calculate the true cost of operation, with a resultant adjustment being made to the reimbursement rate. Despite this clear statutory requirement, no Re-Array has ever taken place, and the Home's reimbursements have fallen farther and farther behind actual costs.
 3. While our industry supports minimum wage increases, the reimbursements needed to afford them has failed to keep up with the pace of the rising minimum wage. Over the past decade, the minimum wage has gone up 47%, while reimbursements have risen by only 10.4%.

How Did We Get to this Point?

Today

- COVID's impact on our industry has created yet another destabilization of the industry. While 2020 data is not yet available, anecdotally we can report not all expenses have been covered by the federal government. There are several deep hidden costs that previously distributed federal dollars have not covered.
 1. The fallout from COVID-19 will have a ripple effect on our industry for years to come in the following areas:
 - » **Liability Insurance**
 - » **Workers Compensation Insurance**
 - » **Testing costs**
 - » **Health Insurance Premiums**
 - » **Workforce stabilization and training**
 2. Lost revenue due to a reduction in occupancy:
 - » **In January of 2020 our occupancy rate was 90.5%.**
 - » **In May of 2021, our occupancy rate was 73.6%.**
 - » **In 2020 we lost one Home and two have already closed in 2021.**
 - » **This comes at a time when the over-85 population in RI is projected to double in the next 20 years.**
 - » **Approximately 2 out of every 3 RI nursing home residents are now Medicaid reimbursed. This has been a complete shift over the past 20 years, when only 1 of 3 was a Medicaid patient.**

How Did We Get to this Point?

The Future

- With the passing of the minimum staffing legislation the industry is now confronted with a massive unfunded mandate. Upon full implementation this legislation's (after the increased funding is included) direct costs to the industry will be \$49 million annually.
 1. The passage of the minimum staffing legislation has the following impact:
 - » **FY 22 Impact: \$11.5 Million less \$2 million in new funding.**
 - » **FY 23 Impact: \$46 Million less \$6 million in new funding**
 - » **FY 24 Impact: \$59 Million less \$12 million in new funding**
 2. From FY 24 on, without new funding, the industry will have a \$49 million unfunded mandate annually.

So How Do We Stabilize the Industry?

- The stabilization of the industry will not be a quick fix, but there are some immediate steps that can be taken to start the process. The first, would be to utilize funding from the American Rescue Plan Act of 2021 to offset the extraordinary expenses created by the COVID -19 Pandemic. The second, to implement the existing state laws for the Re-Array and the Inflation Index. If the Re-Array's has been completed and funded in a timely fashion, our reimbursement rates would not have fallen so far behind. In a similar fashion, if the Inflation Index had been appropriately implemented, we would again have not fallen so far behind. We are fully cognizant that funding for the Re-Array and the Inflation Index are not eligible American Rescue Plan activities, but starting that process for the next state budget (and with a 50% federal reimbursement) will go a long way towards future stability of our industry. Finally, our future state budgets will need to recognize the extraordinary level of unfunded mandate placed on the industry by the minimum staffing legislation and we ask that you consider a phased approach to make the industry whole over the next three state budgets.

We would propose the following:

- 1. American Rescue Plan funding request of \$100 million for the following expenses (A detailed plan will be presented to you, but this is a summary of proposed activities):**
 - » **Workforce Stabilization:** To meet the immediate needs of the industry's workforce shortage and loss of staff we propose an investment of \$50 million to attract, train and retain nursing home workers.
 - » **Reduction in Occupancy:** To offset major losses due to occupancy decline we propose a \$30 million fund.
 - » **Technology for improving infection control:** We propose \$10 million for the purchase of technology to prevent the spread of infectious disease. This includes the use of foggers, ultraviolet lights, entry screening devices and electronic thermometers.
 - » **Improving indoor air quality:** We propose \$10 million for the assessment, repair or replacement of present HVAC systems to further prevent the spread of infectious diseases.
- 2. Immediately start the Re-Array process so an accurate Medicaid reimbursement rate can be established starting in the FY 23 budget.**
- 3. Starting in FY 23 and every fiscal year thereafter till FY 25, increase the Medicaid base rate by 4%. This adjustment (along with the federal ARP funding) will allow the industry to be made 'whole' over time for the increased staffing required by the minimum staffing bill.**

Conclusion

- Our older adult population in Rhode Island is growing rapidly. By 2030, one in four Rhode Islanders will be 65 or older. Today, nearly 17 percent of Rhode Islanders are 65 or older, versus 13 percent nationally. And our State has the highest proportion in the United States of those 85 or older. However, over the past twenty years, 25% of the nursing homes in Rhode Island have closed, including three in the past 12 months. If we continue with this trend, we will not have sufficient nursing home beds to care for the rapidly growing aging population in Rhode Island. We understand the difficulty of making financial decisions that affect all Rhode Islanders, but the cost of inaction will be far greater. We stand ready to join you in securing a safe future for every vulnerable Rhode Island resident.
- On behalf of our 10,495 employees and the 22,000 residents and patients we serve annually, we thank you for your time and efforts on our behalf.

