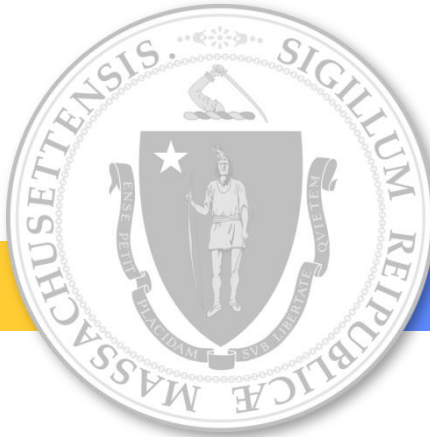


# Nursing Facility Task Force: The Massachusetts Nursing Home Industry at a Crossroads



Executive Office of Health and Human Services  
September 2019



# Agenda

- Oath, Welcome, and Introductions
- Open Meeting Law and Conflict of Interest Policy
- Task Force Members' Goals
- Proposed Agendas for the Task Force
- Presentation: "Nursing Home Industry at a Crossroads," including overview of recent Nursing Facility investment packages

# Potential Topics for the Task Force

	Topics
<p><b>September (9/20/19)</b></p>	<p><b>Intro, goals and setting the stage</b></p> <ul style="list-style-type: none"> <li>▪ Oath, Welcome, and Introductions</li> <li>▪ Open Meeting Law and Conflict of Interest Policy</li> <li>▪ Task Force Members' Goals</li> <li>▪ Proposed Agendas for the Task Force</li> <li>▪ Presentation: "Nursing Home Industry at a Crossroads," including recent Nursing Facility investment packages</li> </ul>
<p><b>October</b></p>	<p><b>Current State: Services &amp; Payment Methodology</b></p> <ul style="list-style-type: none"> <li>▪ Overview of long-term and elder care continuum</li> <li>▪ MassHealth Rates 101, including general background, overview of MDS assessment, reimbursement for specialized services, etc.</li> </ul>
<p><b>November</b></p>	<p><b>Topics</b></p> <ul style="list-style-type: none"> <li>▪ Strategies to <b>strengthen the long-term and elder care service continuum</b></li> <li>▪ <b>Workforce initiatives</b>, e.g., recruitment, training, retention</li> <li>▪ <b>MassHealth reimbursement system</b></li> </ul>
<p><b>December</b></p>	<ul style="list-style-type: none"> <li>▪ Strategies to <b>align service capacity with current and future demand</b></li> <li>▪ <b>Other policy issues</b> relevant to the sustainability of nursing facilities and broader continuum</li> </ul>
<p><b>January</b></p>	<p><b>Closing</b></p> <ul style="list-style-type: none"> <li>▪ Review draft of Task Force Report</li> </ul>

## In 2018, EOHHS partnered with the industry to provide a short-term stabilization package

- **Beginning October 1, 2018 and totaling \$25M annually, the short-term stabilization package includes:**
  - **\$9M rate adjustments for facilities with high or improved quality scores**, including additional funding for facilities serving a high portion of MassHealth members
  - **\$6M investment to increase rates for care provided to complex member populations** with serious mental illness, including those with co-occurring substance use disorders, or with intellectual or developmental disabilities
  - **\$7M broad-based rate increase** for all facilities due to an adjustment to nursing component of rates
  - **\$3M additional investment to support direct care staff** through increased wages, benefits, bonuses, overtime or other benefits
- **The Department of Public Health modified its regulations** to allow nursing homes to **co-locate other services and lines of business within their campus/ facility** and to **expedite voluntary closure process**

# In SFY20, EOHHS is implementing a \$56M investment in the nursing facility industry

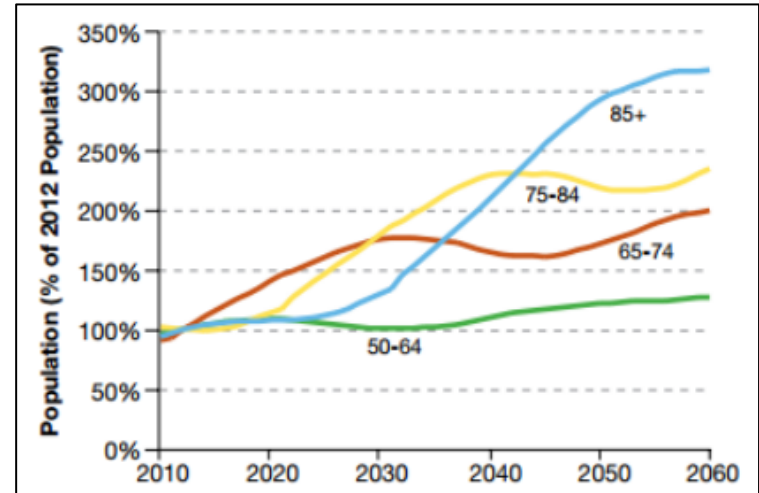
**Beginning November 1, 2019, MassHealth will implement an investment package totaling ~\$56 million (M) per year:**

- **~\$15M in targeted investment** distributed to all facilities that meet criteria established in the FY20 budget with an equal per diem payment
  - **\$6M investment for facilities with 3+ Medicare stars**, in addition to existing quality add-ons
  - **\$4.5M investment in critical access facilities** with high Medicaid occupancy
  - **\$4M investment in complex patient populations**
  - **\$0.5M investment in geographically isolated communities** for facilities in the Cape or Islands
- **~\$35M investment for an inflationary adjustment to rebase nursing facility rates to 2014 cost base year** (nursing, operating, and capital components)
- **~\$6M investment to modernize the rate structure** by simplifying the capital component of the rate. The current capital rate structure will be replaced with four different geography-based capital rates. This change will reduce administrative burden and lead to further investment in high Medicaid occupancy facilities.

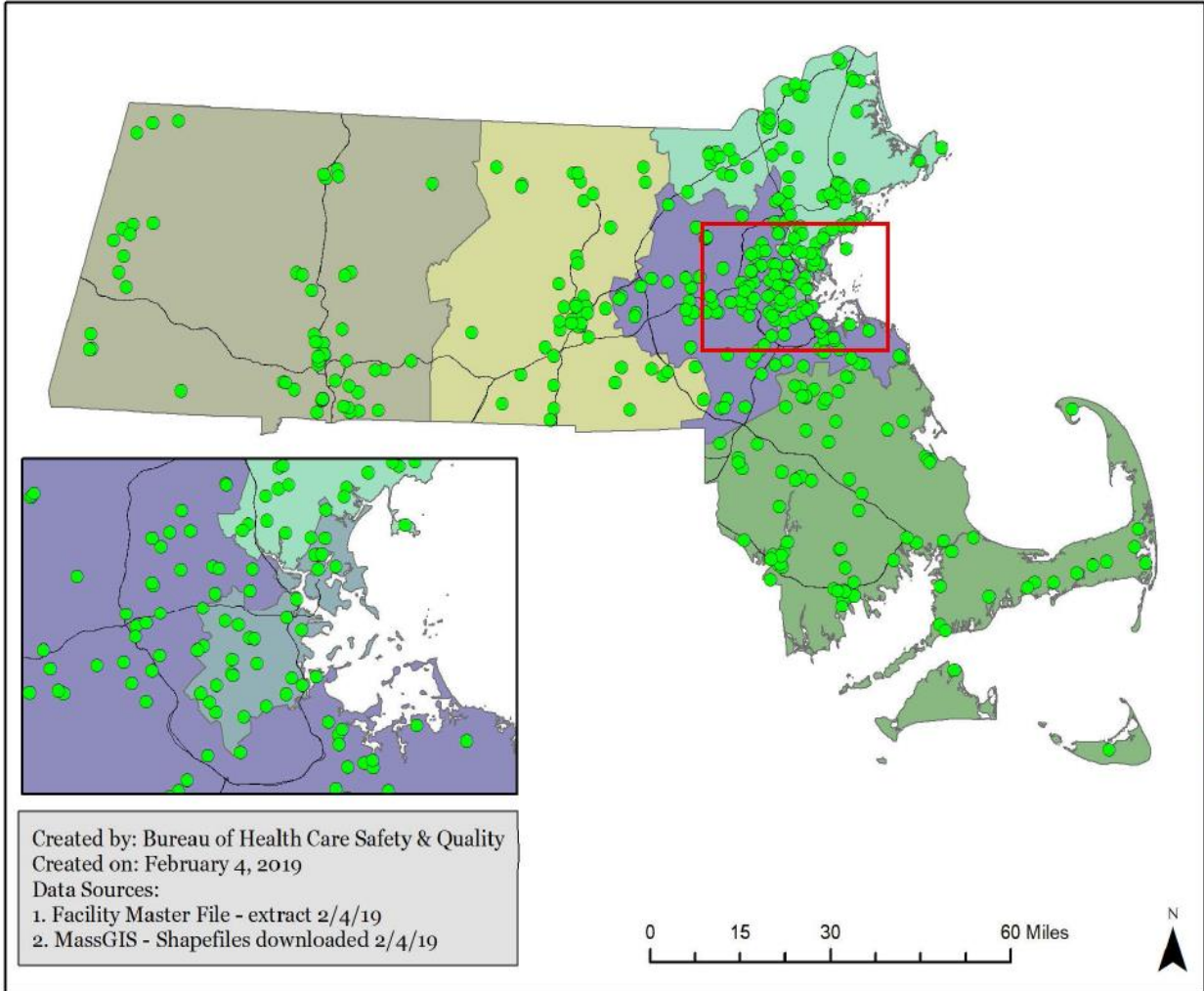
# Massachusetts demographics about older adults

- **Older adults represent >15% of the Massachusetts population**
  - Massachusetts population over 60: 1.4M (21.2%)
  - Massachusetts population over 65: 1.0M (15.1%)
- **Access to healthcare** among the Medicare population in Massachusetts:
  - 23% are Medicare managed care enrollees
  - 17% are dually eligible for Medicare and Medicaid
- **Disability in Massachusetts**
  - 22% of adults 65 to 74 years old report a disability
  - 48% of adults 75+ years old report a disability
- **Low Income Adults in Massachusetts**
  - About 1 out of 4 elder households have an annual income below \$20K

## MA Population Growth by Age Groups



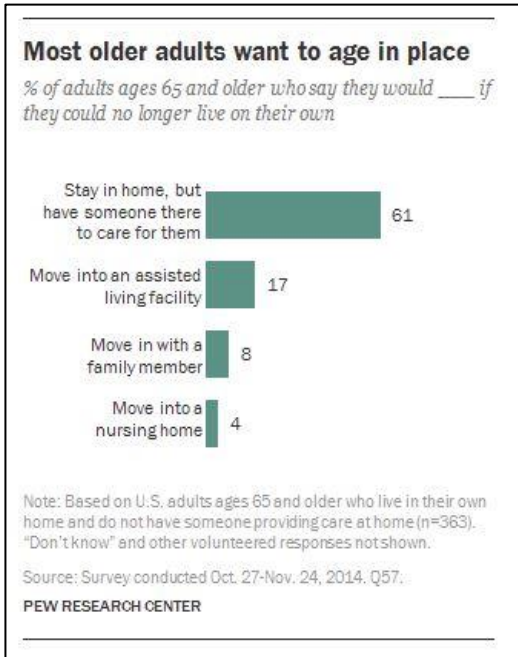
# As of early September, 2019, there were 383 operating nursing homes in Massachusetts



# Nursing Homes and Long-Term Care Facts: Massachusetts

## The nursing home industry is facing many challenges – broader than MassHealth reimbursement

- Compared to several decades ago, Massachusetts residents tend to live longer as the statewide one-year mortality rates have continued to decline.
- At the same time, the older population has become younger as the “baby boom” cohort ages and enters the 65+ group.
  - For example, the percentage of persons between 65-74 increased from 49.8% to 55.3% between 2011-2015.<sup>1</sup>
- Many older adults want to age in the community instead of institutional care in a nursing home
  - 87% of adults age 65+ want to stay in their current home and community as they age. Among people age 50 to 64, 71% of people want to age in place.<sup>2</sup>
  - Most older adults want to age in community; only 4% choose moving to a nursing home.<sup>3</sup>
- More individuals receive long term care services in non-institutional settings:
  - For example, of all persons receiving long term care services through MassHealth<sup>4</sup>, only ~18% were receiving them in nursing homes.



1. UMass Boston Gerontology Institute. Healthy Aging Data Report: Highlights from Massachusetts, 2018.; 2. AARP PPI, "What is Livable? Community Preferences of Older Adults," April 2014; 3. Pew Research Center Aging in Community; 4. Persons who received long term care services through Fee-For-Service Medicaid



# Nursing Homes and Long-Term Care Facts: Massachusetts, Cont.

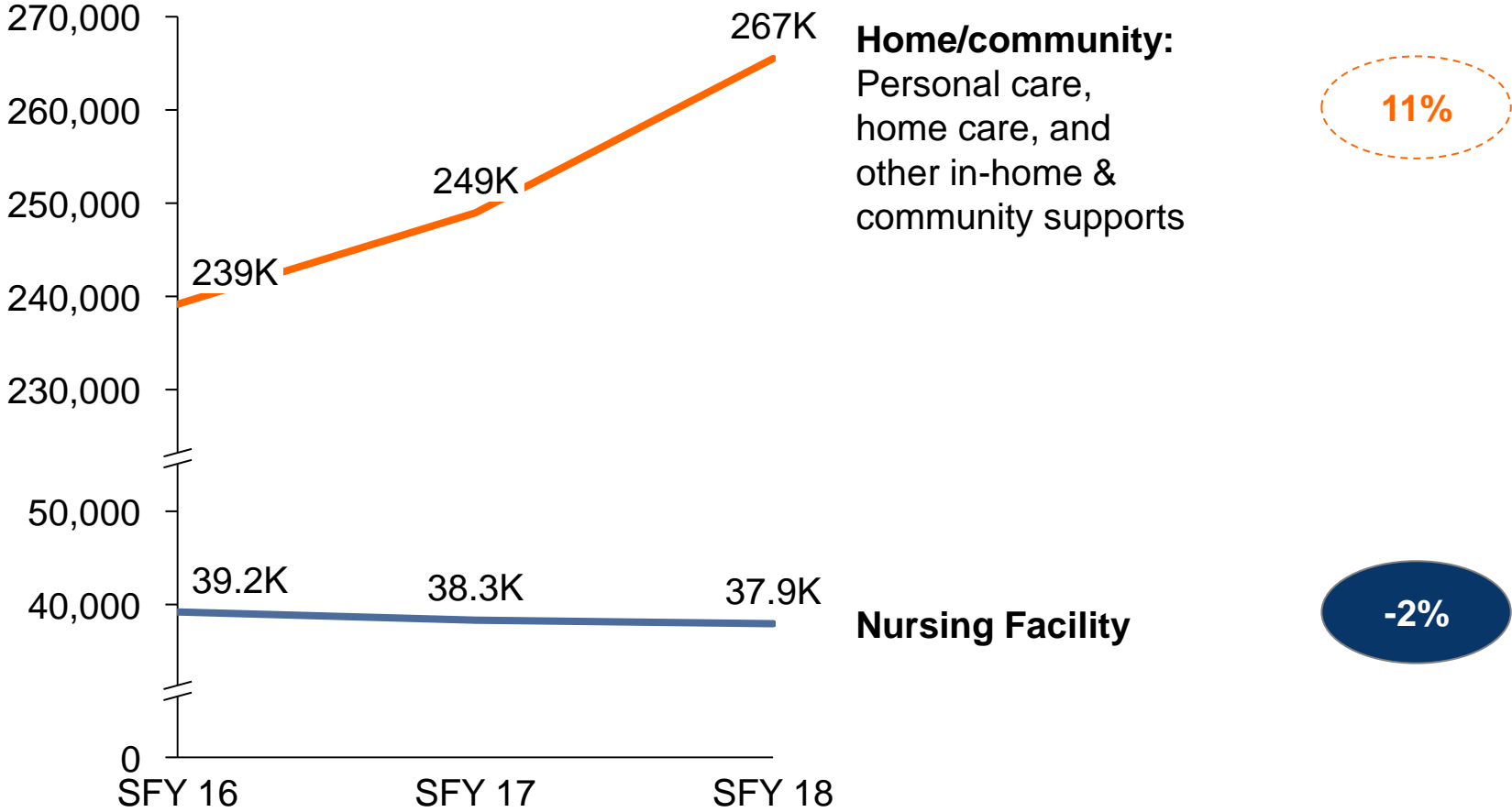
## The nursing home industry is facing many challenges – broader than MassHealth reimbursement

- Medicare (federal) policy changes have modified payment methodologies and increased focus for ACOs on reducing admissions/length of stay in SNFs, leading to **decreased utilization and reimbursement of nursing homes**
  - Medicare reimbursement and utilization for nursing homes has **decreased 25% (\$300M)** since 2011
  - Additional reimbursement changes that will impact facilities become effective October 2019
- 54% growth in assisted living residences and expansion of publicly funded community-based supports have created more choice and contributed to lower occupancy in and accelerated closures of nursing homes
  - **Almost one in six nursing homes has an occupancy rate under 80%.** The average occupancy rate is 87%.

# More individuals are served at home and in the community (+11%) than reside in nursing homes (-2%)...

Annual MassHealth Members, SFY16-18

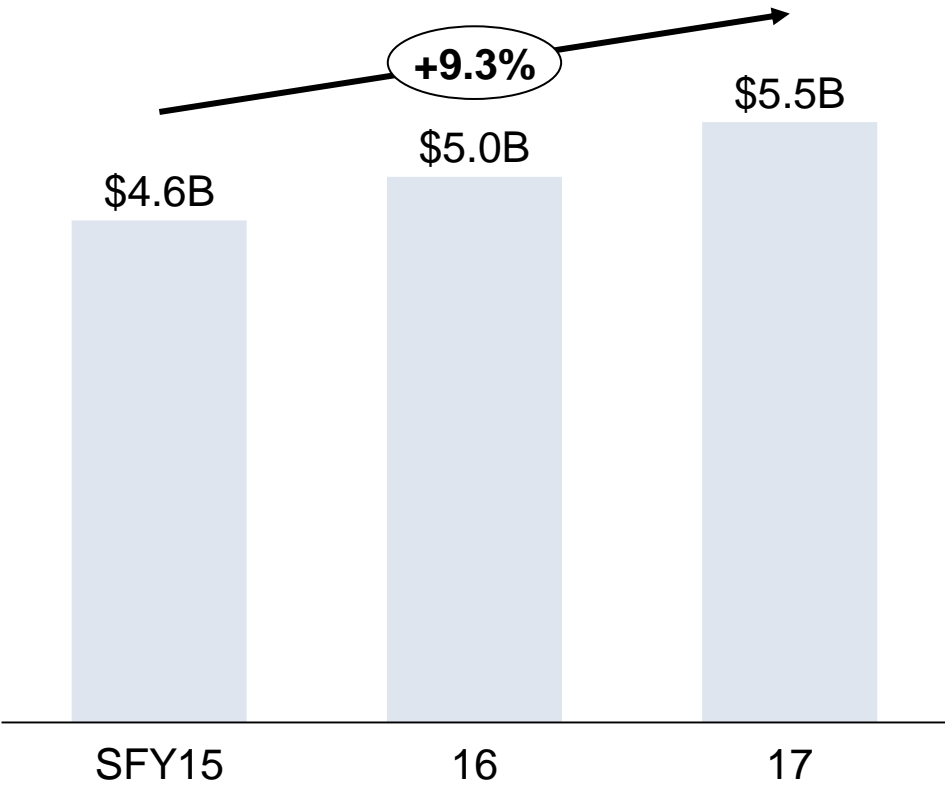
Growth



Sources: MassHealth program data

# ...and MassHealth has increased home and community-based supports by over \$900 million over 2 years

## MassHealth Home & Community Based Program Spending, SFY15-17\*



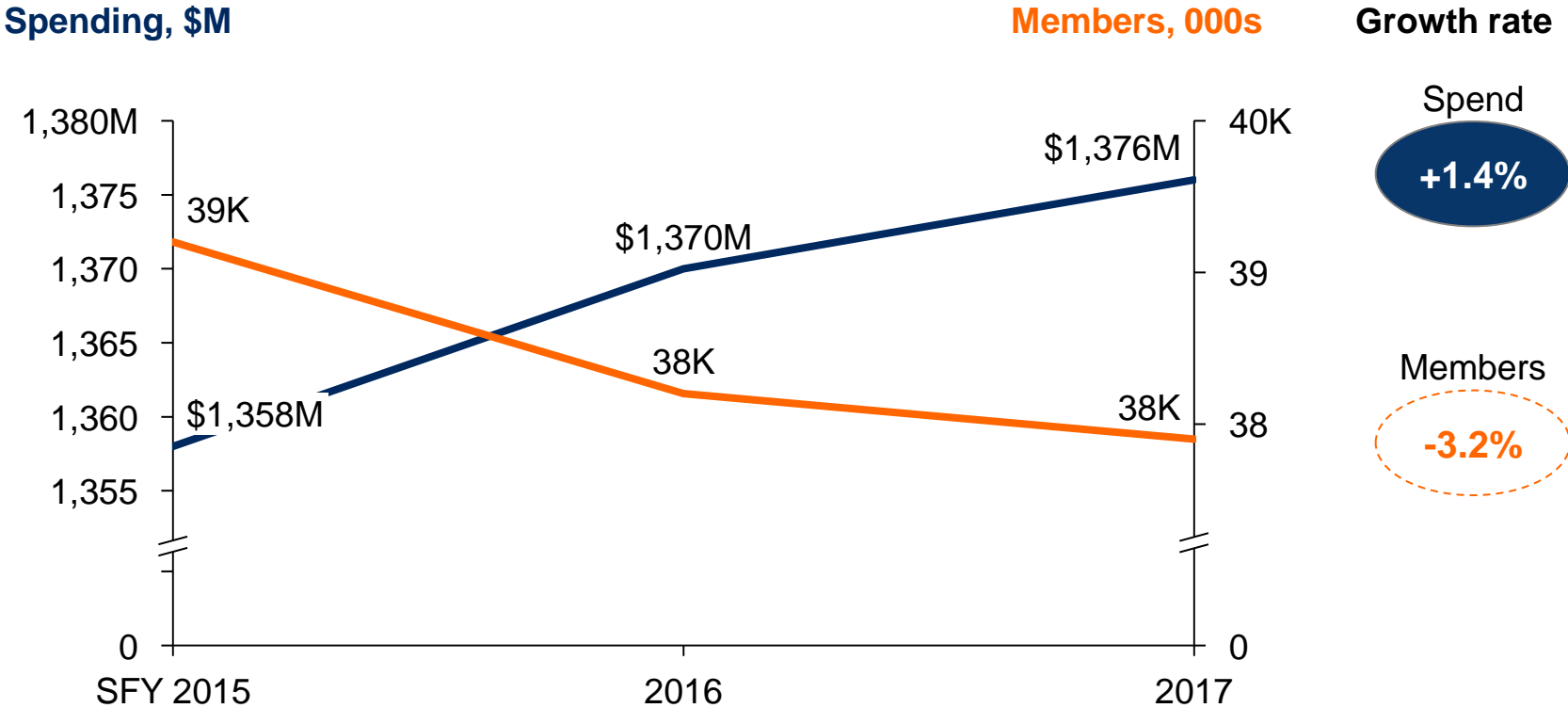
- Spending on home & community supports has increased **\$900M from SFY15 to SFY17**
- Total dollars spent on community supports rose from **45% in 2009 to 70% in 2016**
- \* Including EOHHS sister agency waivers (e.g., Frail Elder Waiver)

Sources: MassHealth Balancing Incentive Program data

# Despite the declining number of members residing in nursing homes, MassHealth has invested in short-term stabilization strategies

Massachusetts Nursing Home Spending & Members  
SFY 2015 to 2017

- MassHealth spending
- MassHealth members

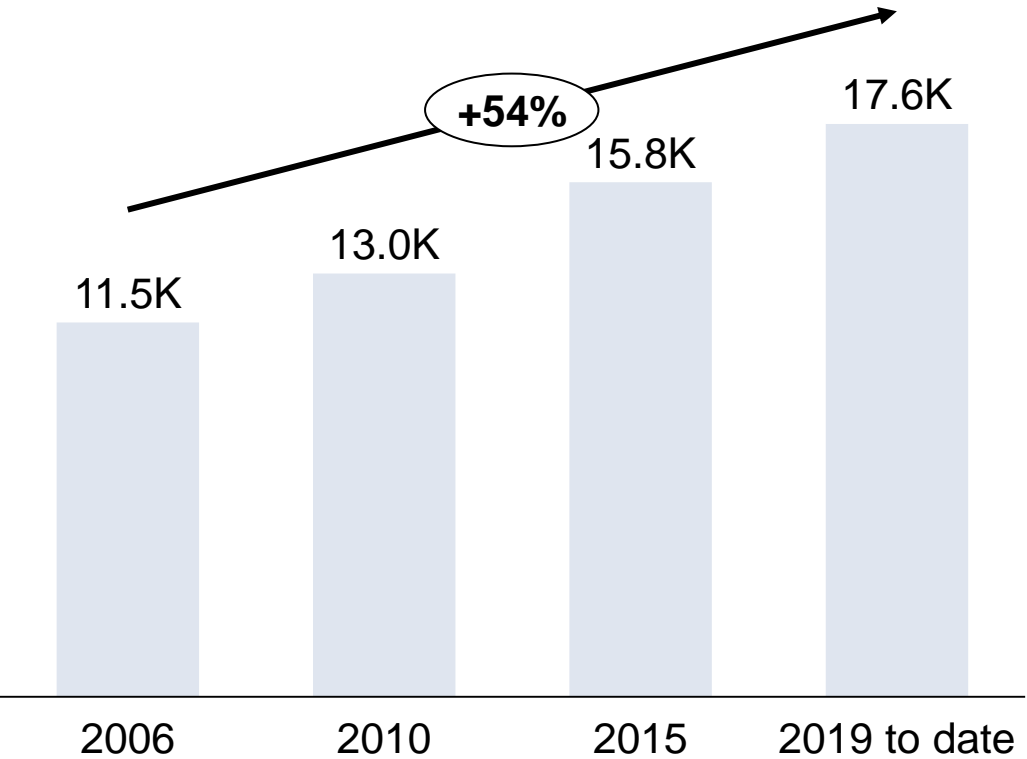


MassHealth increased total nursing home expenditures by 1.4% from 2015-17 even as the number of MassHealth members in nursing homes decreased by 3.2%

Sources: MassHealth program data

# The growth of the Assisted Living Residence Industry contributes to the decline in the number of nursing facility residents

## MA Assisted Living Residence Units, 2006-2019



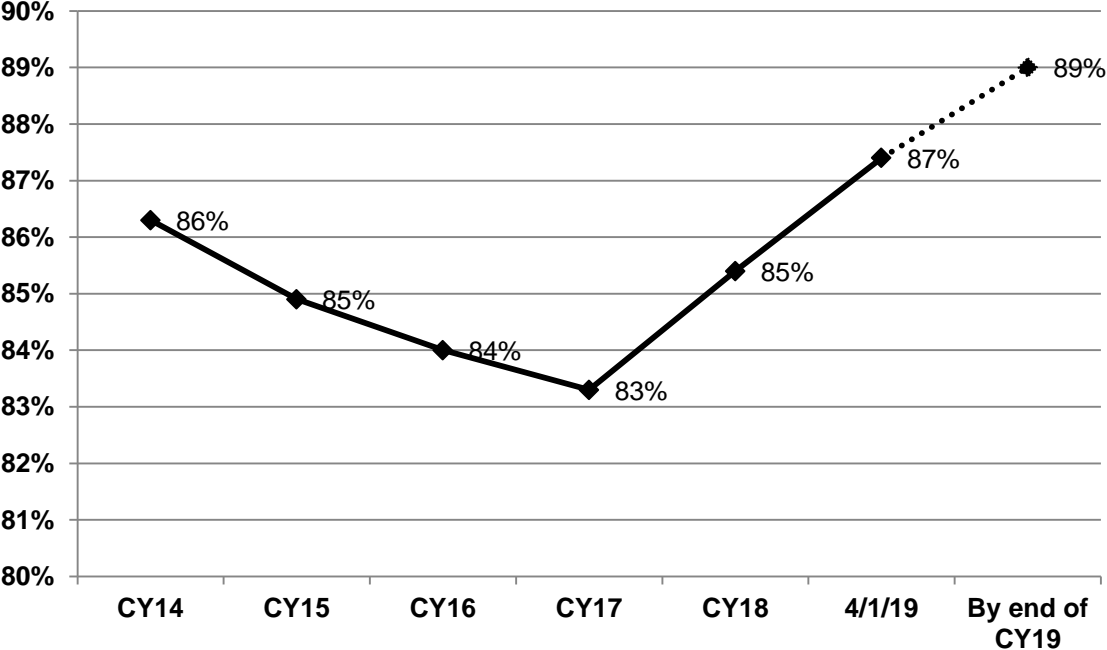
- Assisted living residences (ALRs) provide choice and greater independence than nursing homes.
- ALRs do not provide 24 hour nursing care
- In certain cases, assisted living residents receive publicly funded supports to support their needs

Sources: Elder Affairs program data

# As more individuals are served in non-institutional settings, nursing home occupancy from 2014-17 dropped substantially

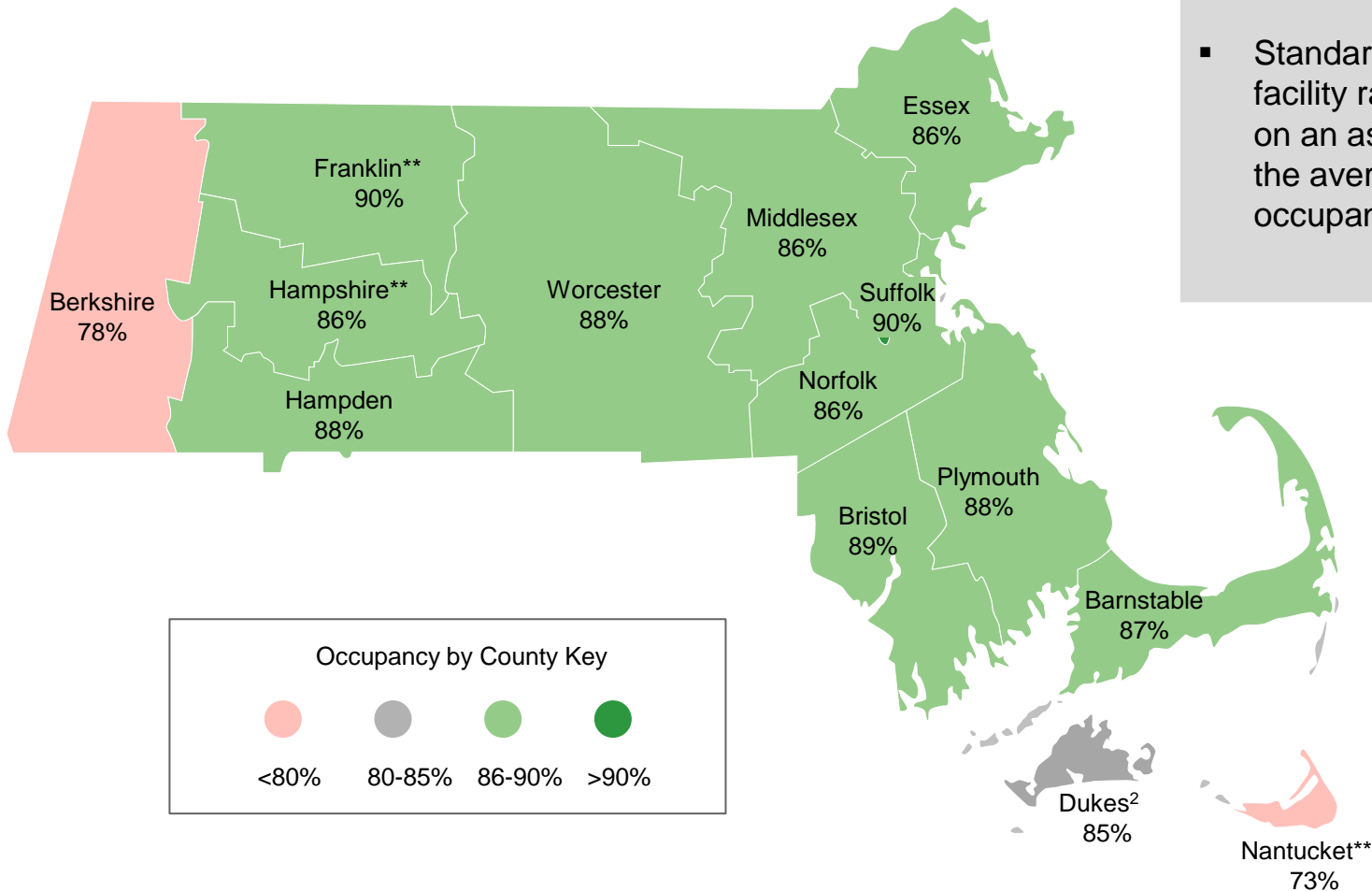
## Massachusetts Nursing Home Occupancy Rate, 2014 - 2019

- **Recent and projected increases in the avg. occupancy rate** is the result of:
  - Nursing home closures in 2017, 2018, and anticipated closures in 2019 (2,012 beds total)
- Occupancy across the industry is projected to **increase over the coming year to ~89%** due to additional closures



# All counties in Massachusetts have an average nursing home occupancy rate below the efficient occupancy state standard of 94-96%

## Nursing home Occupancy Rate by County, April 2019<sup>1</sup>



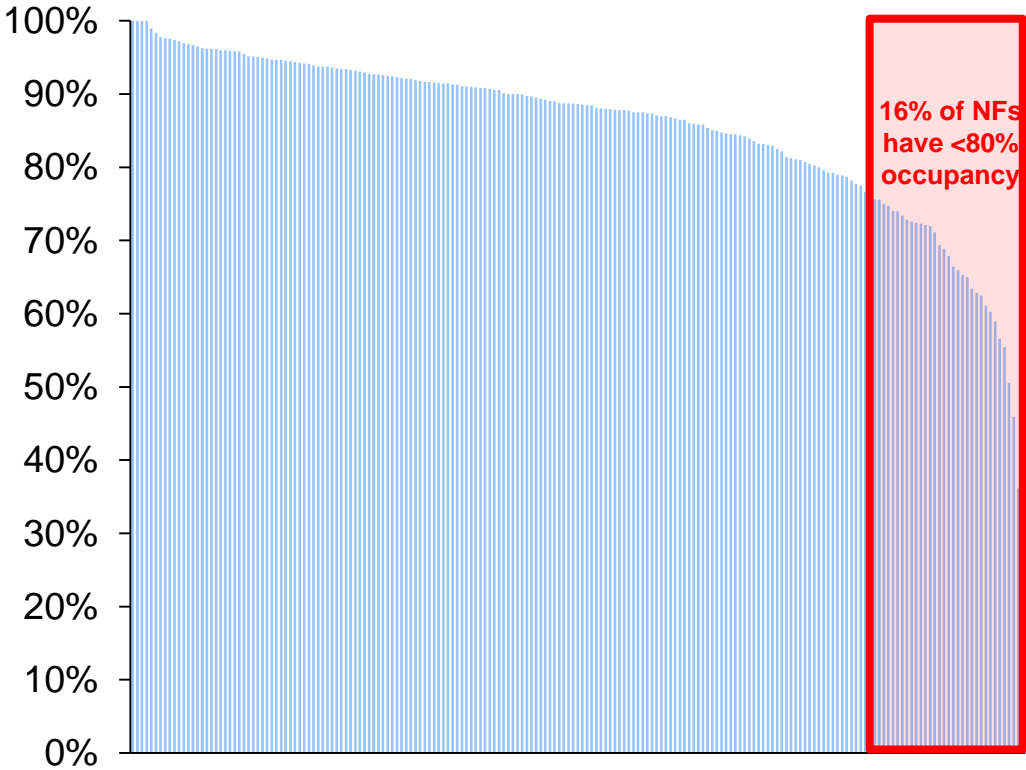
<sup>1</sup>Self reported beds out of service (BOOS) were included in calculation of occupancy rates

<sup>2</sup>There are very few NFs Dukes, Nantucket, Franklin, and Hampshire. So their occupancy may fluctuate a lot from quarter to quarter.

Source: SNF Census April 2019

# One in six nursing homes operates with occupancy under 80%

## Nursing Home Occupancy Rate by home, April 2019 <sup>1</sup>



- There are 366 nursing facilities that contract with MassHealth
- Of those 366 facilities, the average industry occupancy rate is 87%<sup>2</sup>
- Facilities with low occupancy rates are not sustainable.

<sup>1</sup> SNF Census April 2019; Medicare Star Quality Score February 2019

<sup>2</sup> Self reported beds out of service (BOOS) were included in calculation of occupancy rates



## In summary

- **The current structure of the nursing home industry is not sustainable. Long term reforms are required;** increased MassHealth funding alone will not solve these challenges.
- The Baker-Polito administration made programmatic and financing changes in FY19 and FY20 **to support short-term stabilization in direct response to the industry's request.**
- In FY20, EOHHS will implement the FY20 State Budget and **infuse an additional \$56M in the industry.**
- **In addition to the Task Force, EOHHS continues to engage in a multi-year effort to propose long-term reforms** to the nursing home industry including:
  - Strategies to evolve the current nursing home model and footprint in the context of a changing community based long term care industry
  - Restructured rates to simplify a complex and antiquated (20+ year) methodology with the goal of reimbursing quality, geographical differences, and member complexity
  - Implement a revised uniform acuity classification