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

<table>
<thead>
<tr>
<th>Month</th>
<th>Topics</th>
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<tr>
<td><strong>September</strong></td>
<td><strong>Intro, goals and setting the stage</strong></td>
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<tr>
<td>(9/20/19)</td>
<td>- Oath, Welcome, and Introductions</td>
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<td>- Presentation: “Nursing Home Industry at a Crossroads,” including recent Nursing Facility investment packages</td>
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<td><strong>October</strong></td>
<td><strong>Current State: Services &amp; Payment Methodology</strong></td>
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<td>- Overview of long-term and elder care continuum</td>
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<td>- MassHealth Rates 101, including general background, overview of MDS assessment, reimbursement for specialized services, etc.</td>
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<td><strong>November</strong></td>
<td><strong>Topics</strong></td>
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<td>- Strategies to <strong>strengthen the long-term and elder care service continuum</strong></td>
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<td>- <strong>Workforce initiatives</strong>, e.g., recruitment, training, retention</td>
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<td>- <strong>MassHealth reimbursement system</strong></td>
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<td>- Strategies to <strong>align service capacity with current and future demand</strong></td>
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<td>- <strong>Other policy issues</strong> relevant to the sustainability of nursing facilities and broader continuum</td>
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<td><strong>December</strong></td>
<td><strong>Closing</strong></td>
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<td>- Review draft of Task Force Report</td>
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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

Source: Massachusetts Department of Elder Affairs Annual Legislative Report FY 2018; University of Massachusetts Boston Center for Social and Demographic Research on Aging (2017)
As of early September, 2019, there were 383 operating nursing homes in Massachusetts.
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 2011-2015.¹

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.²

- Most older adults want to age in community; only 4% choose moving to a nursing home.³

More individuals receive long term care services in non-institutional settings:

- For example, of all persons receiving long term care services through MassHealth⁴, only ~18% were receiving them in nursing homes.

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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

<table>
<thead>
<tr>
<th>Year</th>
<th>Home/community: Personal care, home care, and other in-home &amp; community supports</th>
<th>Nursing Facility</th>
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<tr>
<td>SFY 16</td>
<td>239K</td>
<td>39.2K</td>
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<tr>
<td>SFY 17</td>
<td>249K</td>
<td>38.3K</td>
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<tr>
<td>SFY 18</td>
<td>267K</td>
<td>37.9K</td>
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**Growth**

- **Home/community:** 11%
- **Nursing Facility:** -2%

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.

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

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

- Berkshire: 78%
- Barnstable: 87%
- Berkshire: 78%
- Dukes: 85%
- Essex: 86%
- Franklin**: 90%
- Hampden: 88%
- Hampshire**: 86%
- Hampshire**: 86%
- Middlesex: 86%
- Norfolk: 86%
- Plymouth: 88%
- Suffolk: 90%
- Worcester: 88%
- Worcester: 88%
- Nantucket**: 73%
- Norfolk: 86%
- Plymouth: 88%
- Suffolk: 90%
- Worcester: 88%

Self reported beds out of service (BOOS) were included in calculation of occupancy rates.

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

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

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1 SNF Census April 2019; Medicare Star Quality Score February 2019
2 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