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## **Do We Get What We Pay For With Nursing Home Care?**

### **New Study Makes Recommendations for the State Budget to Improve Care & Save Money**

March 16, 2009. A report released today on the nursing home payment system used in New York and most other states identifies a number of ways that the state can use the system to both improve care and save money. The report is the outcome of a year-long study by the Long Term Care Community Coalition (LTCCC), supported by The New York Community Trust, that is the first major effort to examine, from a consumer perspective, whether the different ways that nursing homes receive funding actually result in good care for vulnerable residents and are a smart use of taxpayer dollars. The report recommends major changes in the New York State nursing home Medicaid reimbursement system to both save money and focus on quality. Over \$7 billion Medicaid dollars goes into the nursing home industry annually, yet little of this money encourages quality care.

“As we face both the current financial crisis and the rapidly growing frail elderly population, it is crucial that we get value and quality when we pay for nursing home care,” said Cynthia Rudder, Ph.D., Director of Special Projects for LTCCC and project director. “New York’s nursing home residents have more decubitus ulcers (“bedsores”) than the average in the nation and receive less care to prevent them. More of our residents are incontinent yet they receive less help in treating it. One has to ask: what are we paying for?”

Gathering information from the 34 other states using a similar system, the report gives detailed information on how these states are encouraging access, for hard to place residents, quality as well as efficiency. Using such information as well as telephone interviews with state officials across seven case-study states, the report presents over 30 recommendations for improving the system.

“New York State is way behind other states when it comes to making sure that its money is going to quality as it looks to encourage efficiency,” said Richard Mollot, executive director. “There are many things New York could be doing, some of which are already being done by other states,” he continued.

**The report is available at [www.nursinghome411.org](http://www.nursinghome411.org). Following are some selected issues and recommendations:**

#### Issue 1:

Currently, facilities receive extra funds to care for residents with dementia without being required to provide anything special for them or meet any goals for positive outcomes. Facilities caring for residents with special needs such as ventilator-dependency are required to meet a number of programmatic requirements, but are not required to achieve any positive outcomes, such as percentages of residents weaned from ventilators. The Governor is proposing additional add-ons in his 2009-2010 budget.

#### **The Recommendation:**

The state should set specific goals, required programs and positive resident outcomes for any additional funds given to facilities to encourage admittance and proper care of hard to place residents or residents with special needs. This must be in the state budget.

“It is just a waste of funds if the additional money does not lead to both greater access for such residents as well as better outcomes,” said Richard Mollot, Executive Director of LTCCC.

#### Issue 2:

Currently, facilities are encouraged to spend less on direct care because if they spend below a set floor in the system they get to keep the amount between their costs and that floor. Many facilities that want to make more of a profit cut staff. This can lead to a lowering of quality as many studies have demonstrated a strong relationship between staffing levels and quality. The Governor is proposing to discourage spending in direct care even more by paying facilities at a regional median instead of permitting facilities to spend up to a ceiling amount.

#### **The Recommendation:**

Encourage facilities to spend more on direct care, of which the majority of costs relate to direct care staff, by permitting providers to spend more than the average in this area. This will save money in the long run. Right now, Medicaid pays more the more care a resident needs. If residents receive quality care and improve or at least maintain function, Medicaid will spend less.

#### Issue 3:

Facilities can spend their reimbursement any way they like. They can spend as much as they want on administrative costs to the detriment of direct care.

#### **The Recommendation:**

Put caps on reimbursement in indirect areas such as administrative costs. Use the savings for spending in direct care.

#### Issue 4:

Reimbursement has no connection to provider performance or quality care. Facilities get paid based on their costs, whether or not they produce good outcomes or provide residents with the adequate care or quality of life that the national standards require.

#### **The Recommendations:**

1. Link reimbursement to facility performance on inspections. If facilities are deficient in certain areas, in addition to possible fines, they should be required to spend in the deficient areas.

“Why continue to permit facilities to spend the reimbursement in any way they want if they are not caring for residents well? At least require them to use some of the reimbursement money to correct care problems,” said Dr. Rudder.

2. Begin to move the reimbursement system from one focused only on facility costs to one more focused on quality by developing nursing home quality pools with funds going to facilities that excel in a number of diverse areas such as quality outcomes, staffing levels, resident satisfaction, staff retention and performance on inspections.

“This is a recommendation accepted and proposed by Governor Paterson in his 2009-2010 budget and should be passed in the final budget bill,” said Richard Mollot.

#### Issue 5:

Facilities are not run efficiently.

#### **The Recommendation:**

Reward facilities that develop energy efficient systems or make “green improvements” to their facilities. This will save Medicaid funds in the future.

***LTCCC is a nonprofit organization dedicated to protecting the rights and welfare of long term care consumers in all settings, including nursing homes, assisted living facilities and in their communities, by strengthening regulation, surveillance and enforcement. For more information on this and other long term care issues, visit our primary website: [www.ltccc.org](http://www.ltccc.org).***