

VIII. COUNTY RELATIONSHIPS WITH THEIR NURSING HOMES: PREPARING FOR THE FUTURE

The premise from the beginning of this study is that county-owned nursing homes are in jeopardy, for reasons spelled out throughout this report, but that nonetheless, in most counties a wellspring remains of good will toward, and support for, the historic mission of these facilities. Many counties find themselves at the intersection of these competing forces, facing difficult decisions about the future of these longstanding institutions that for years have been part of the infrastructure of their respective communities.

Facing these realities, as discussed in the previous chapter, several counties in recent years made the decision to sell or close their nursing homes, with varying results—some satisfactory, some mixed, one ultimately leading to displaced nursing home residents, one currently in the process of struggling through the early stages of the transition to new ownership. Other counties have more recently made arrangements to sell their homes, and still others are in various stages of discerning their options or engaging in the process of testing the market for selling. And there remain a number of counties owning nursing homes which, at least for now, seem content to continue with something resembling the status quo, with no present plans to investigate divesting ownership.

In this context, this chapter focuses on what counties owning nursing homes are thinking about the future of their homes, what is shaping their thinking, the existing relationship between the counties and their nursing facilities, what options have already been considered, and realistic prospects for the future. Findings presented in this chapter are based almost exclusively on surveys of county nursing home administrators and of leadership in counties owning nursing homes. Survey responses were received from 32 nursing home administrators and from 29 of the 33 counties owning nursing homes at the beginning of 2013. Some surveys did not address specific questions, as noted in the discussion that follows.

Level of County Cooperation and Support for Nursing Homes

Most nursing home administrators and county officials indicated that there are high degrees of cooperation between county government and their nursing homes. Just under 80% of the leadership of the counties owning nursing facilities characterized their relationship with their homes as being “very” or “somewhat” cooperative, including about 70% who indicated

“very cooperative.” Only one county raised a serious question about the relationship, suggesting that it was “somewhat adversarial.” Most of the nursing home administrators were also pleased with the level of cooperation, though a few had misgivings: More than 70% characterized the relationship as cooperative, including 53% who said “very cooperative,” while almost 20% said it was “somewhat adversarial.” None of the county leaders or nursing home administrators checked the option of “very adversarial.”

However, despite the generally positive working relationships, when asked how essential the nursing home is to the mission of county government, a slightly lower level of support was indicated. As noted in an earlier chapter, 61% of county leaders said the home is very or somewhat essential, with 25% saying “very.” Another 20% were neutral on the question, and 14% indicated their home is “not essential” to the county’s mission. Nursing home administrators, asked to characterize their government leaders’ perspective on the same question, were somewhat more skeptical: 47% said leadership would say very or somewhat essential, with 28% indicating “very,” while a quarter of the administrators indicated that their county leadership would view the home as “not essential.”

Most counties and their nursing homes have good reported relationships. But perceived high county subsidy levels have reduced the level of support for many county homes going forward.

The most direct and tangible evidence of county support for the nursing homes is expressed by financial subsidies, and the promises of future financial support. Counties have provided significant evidence of that support over the years, both through direct county subsidies, staff support through indirect allocation lines, matching funds from the county’s general fund to access Intergovernmental Transfer payments, and support evidenced indirectly through de facto subsidies in effect funneled through the nursing home enterprise fund balance. As indicated in Chapter VI, leaders in two-thirds of the counties with nursing homes suggested that those subsidy levels may have reached their maximum acceptable level, while another third are either open to additional subsidies up to some specified level or remain uncertain as to future subsidies.

Current and Perceived Future Status of the County Homes

In the context of current levels of support for the county homes, county leaders were asked whether they believe the county needs to consider alternatives for the future of their respective homes, and how they would assess the existing status of their facilities. Nursing home administrators were asked the same questions.

Asked about alternatives that should be considered, the primary responses fell into two groupings—one involving improvements and efficiencies designed to strengthen the existing facility, and a more external focus on

selling the home. More than one option could be selected. Responses were as follows:

- **Consider management and operational/cost savings efficiencies:** 37% of the counties in the county leader survey and 36% of nursing home administrators selected this option.
- **Consider selling the facility:** 56% of the counties and 39% of the home administrators said this option should be a priority.

It should also be noted that closure of the facility was also an option for consideration. Only two county leaders and one nursing home administrator believed that any consideration should be given to that possibility. More specifically, survey respondents were asked to assess the current and likely future status of their nursing home. The responses are presented in Table 6 for those responding to this question.

Table 6

Assessment of the Status of the County Nursing Home		
Status Option	% of County Leaders (N=26)	% of Home Administrators (N=32)
Decision has been made to sell the facility	31%	25%
Decision has been made to close the facility	0%	0%
Decision to sell under active consideration	16%	16%
Decision to close under active consideration	0%	3%
Uncertain; discussions are ongoing	23%	25%
No active consideration of sale or closure; continue as county home for foreseeable future	31%	31%

Source: CGR County Leader and County Nursing Home Administrator surveys conducted first quarter of 2013

There appear to be eight of the counties with nursing homes that have made decisions to sell, some of those already far into the process, with at least another five under active consideration. Just over half of the 25 counties responding to the question suggest it is likely that their home will be sold in the next two to three years (one-third say “highly probable”), while just over a third say a sale is unlikely during that time.

County leaders and nursing home administrators seem to have similar understandings of the current realities in their respective counties. Both groups indicate that eight counties have apparently made the core decision to sell their nursing home, or at least to explore the option by testing the market. In addition, a decision to sell appears to be under active consideration in another five counties (leaders in four counties indicated such a decision, but a home administrator in a fifth county, which did not respond to the leader survey, also indicated that this option was under consideration). There appears to be little if any serious interest in the possibility of closing any facility. In just under a third of the counties, there appears to be no active consideration of anything other than continuing ownership of the county home, and in another roughly quarter of the counties, there are ongoing discussions about the future of their homes, but with no apparent predispositions in any particular direction.

Asked the probability of their home being either sold or closed within the next two to three years, more than 90% of both survey groups said slight to no probability of closing the home (75% of both said virtually no chance that would happen). Consistent with the status question on potential sale, responses were split on the odds of a sale occurring within that period of time. Just over half of the 25 counties responding to this question and just under half of the home administrators believe that it is fairly or highly probable that a sale would occur (about a third of each group indicated it was “highly probable”). Almost half of the administrators suggested that there was only a slight, or almost no, probability of a sale within the next two to three years, compared with 36% of county leaders. About 12% of the counties and 6% of the administrators rated the odds as 50-50.

Circumstances That Could Change the Odds?

The die appears to be cast in favor of nursing home sales in a substantial number of counties currently owning nursing homes, with Ulster having just completed its sale, and several other counties in various stages of the sale or state review process, and others well on the way toward such a decision. But several others seem to have no such inclination, and others are uncertain, with discussions concerning the future fate of their homes ongoing with no clear direction yet established. For those counties where decisions are not yet cast in stone, are there things that can be done to help strengthen the odds that a county nursing home will remain under county ownership in the future? We asked several questions along those lines.

We asked both county leaders and nursing home administrators what circumstances might make it more likely that the county would continue ownership of the home, and the responses were predictable. Nearly all

revolved around reducing county costs, improving Medicaid reimbursement rates and increasing the certainty of IGT funding at enhanced levels.

Potential Local Changes

Asked about the challenges and opportunities facing their homes, administrators emphasized the revenue/reimbursement concerns as well as the rising employee benefit costs, which they perceive to be beyond their control. Beyond those issues, they focused on the difficulty in uncertain times of recruiting and retaining high quality staff and of maintaining high occupancy rates. They also expressed concerns about labor contracts and related work rules and associated costs, and some spoke of opportunities to negotiate contractual changes with their labor unions (see below for further discussion of this issue).

About a third of the administrators also noted opportunities to expand or add new services in response to new demands (hopefully with positive revenue implications), and others noted the need to increase fiscal efficiency and reduce costs in various ways throughout their facilities. Others expressed doubt that there was anything they could do to turn things around. For counties that have already made up their minds, that may well be true. But for others, there may still be time and the opportunity to engage in processes that can make facilities more cost effective. *Opportunities have been identified in several county facilities around the state for significant cost reductions and revenue enhancements with the potential for millions of dollars in facility deficit reduction, for counties and facilities willing to engage in such processes.*

Opportunities exist to reduce costs and enhance revenues in county homes that could significantly reduce annual deficits, including new approaches to negotiating union agreements, for counties willing to engage in the process.

If their county were to continue to own its nursing home, county officials and home administrators were asked if there were provisions in their current labor agreements affecting the home that they would like to change. Both groups expressed strong support for finding ways to negotiate some type of salary and benefit relief/reductions in order to make future ownership of the public homes more feasible. Both groups also expressed the need to find ways to reduce paid time off and modify other work rules and scheduling issues that pertain specifically to a 24/7 operation that do not apply to most other county workers in other functional units. County leaders also expressed strong support for more outsourcing of various functions and trying to enlist union support in that endeavor. Several administrators also mentioned the desirability of separating contract negotiations for the nursing home from more general county negotiations, because of circumstances unique to such operations.

Although there is considerable variation across counties, many nursing home administrators report that they are rarely part of overall union negotiations—and rarely have opportunity to negotiate benefit levels, or

other conditions affecting their home and its sometimes distinct circumstances, separately from agreements that are reached on behalf of all county employees. Many of the administrators reflected frustrations that they are held accountable for the performance and financial well-being of their facilities, but without opportunity to fully impact those circumstances.

Requested State Changes

County leaders were asked about changes needed at the state level that might make it more feasible to continue to own and operate a county nursing home. The following issues received substantial support:

Changes and increased assurances at the state level are likely to be needed to reassure county officials open to retaining their county homes.

- ❖ Increases in Medicaid reimbursement levels – 81%;
- ❖ Assurances that funding sources such as IGT will continue consistently in the future – 77%;
- ❖ Relief from mandates driving up employee costs – 73%;
- ❖ More timely, complete and accurate information about how managed care will affect their nursing homes in the future – 69%;
- ❖ Relief from mandates related to patient care – 35%.

And What if the Decision is to Sell?

If the decision by a county ultimately is to sell its nursing home, administrators and county officials were asked what would be their top concerns that would need to be addressed. Both groups placed their primary focus on the items in the list below:

- ❖ Ensuring high continuing quality of care for all residents, including reducing the strain on residents and families during ownership transition period;
- ❖ Concern for the employees of the home and their future under new ownership;
- ❖ Future assurances of availability of care to various vulnerable subsets of the resident population.

If the home were to be closed, rather than sold, that list would be supplemented by concern for the displacement of existing residents and working to ensure employment for the displaced workers, related to the impact of the closing on the local economy.

Protections for Residents, Current and Future

More specifically, administrators and county leaders were asked what should be done by their county, if the home is sold or closed, to protect the interests of current residents and potential future persons in need of the nursing home's services. The following received strong support, particularly from county leaders:

- ❖ Ensure that current residents can remain in the home;
- ❖ Ensure that new owners will serve historically-needy populations, protecting the “safety net” function of the home;
- ❖ Ensure that the new owners will provide certain types of care appropriate to needs of each facility and geographic area (e.g., bariatric, memory care, rehabilitation, dialysis);
- ❖ Negotiate transitional documents with provisions protecting residents;
- ❖ Perform due diligence to ensure that the home is sold to a quality operator.

Officials expressed concerns that in any sale, protections be built in for current residents and to ensure “safety net” provisions are in place for potential future residents.

Concerns were expressed not just about what would happen to existing residents of facilities, but also about people in the future with similar characteristics. In fact, many were at least as worried about future populations as about current residents. Their expressed rationale was that *as time goes on and new applicants for admission appear, the county will have lost any leverage to ensure that the safety net provisions in place while the county home is open will be respected by the new owner or other nursing homes in the future, thereby potentially leaving many people unserved within their respective counties in the future.*

Protections for Current Employees of the Home

Similarly, each survey group was asked what should be done by the county, if the home is sold or closed, to protect the interests of the home's current staff. The following received support, with the first item the predominant focus:

- ❖ Ensuring/negotiating that their employment can be maintained as much as possible (this received support from more than 95% of the county leaders);
- ❖ Ensuring that the salaries and benefits are maintained at least in the short run (second highest level of support from the leaders, but this received consideration from only about a fourth as many of the counties as did the continuing employment issue);

Counties wish to ensure as much employment of current employees as possible under new owners.

- ❖ Including these provisions protecting staff interests in any sale agreement;
- ❖ Providing other county government employment options as much as possible for those wishing to remain with the county.

Options That Have Been Selectively Explored

Before getting to the point of making final decisions about the future of their nursing homes, many counties have already explored, or are in the process of exploring, a wide range of options. Those options are presented in Table 7, along with indications of the extent to which counties owning nursing homes have previously considered such options (including considering and rejecting them), may currently be considering various options, or may have already implemented (or be in the process of implementing) certain ones. These options, and the extent to which they have or have not been addressed before by the counties, are offered as both a historic roadmap of what options have been considered, and also as a guide to those counties which, as suggested above, may be looking for options and ideas to help guide their due diligence review process as they consider future options.

The alternatives were grouped into three broad categories of possible options, defined as follows:

- ❖ **Limiting the County's Role in Nursing Home Care** – Options in this category would significantly limit or even fully eliminate direct county responsibility for future operation of nursing facilities. The options in this category include, among others, the possible sale or closure of nursing homes.
- ❖ **Continuing County Nursing Home Operations with Reforms** – These options assume the continuation of the provision of traditional nursing home care under current arrangements, but with some internal reforms or new initiatives, including such things as management efficiencies and outsourcing.
- ❖ **Expanding the Range of Long-Term-Care Options** – This set of options would maintain county operation of its home but with various service expansions and modifications designed not only to potentially enhance the nursing home surroundings, but also expand counties' long-term-care options in general. Options include such services as adult day care and respite care.

Table 7

Status of Consideration of Nursing Home and Long-Term-Care Options by Non-NYC Counties with Nursing Homes, as of Spring 2013: Nursing Home Administrator (and County Leader) Responses

	Not Considered	Considered and Rejected	Currently Being Considered	Has Been or is Being Implemented
Limiting the County's Role in Nursing Home Care				
Sale of licensed beds	65% (58%)	3% (13%)	23% (17%)	10% (13%)
Establishment of public benefit corporation	64% (60%)	21% (32%)	4% (4%)	11% (4%)
Establishment of local development corporation	74% (52%)	6% (16%)	10% (20%)	10% (12%)
Conversion to freestanding not-for-profit / voluntary corporation	71%	10%	19%	0%
Conversion to existing voluntary corporation	83%	3%	13%	0%
Employee buy-out	90%	7%	3%	0%
Sale of County home	42% (31%)	10% (8%)	35% (42%)	13% (19%)
Partnership with organization outside of County government	68%	10%	23%	0%
Closure of County nursing home	80% (79%)	7% (13%)	13% (8%)	0% (0%)
Continuing County Nursing Home Operations with Reforms				
Management contract to operate nursing home	77% (56%)	17% (20%)	7% (16%)	0% (8%)
More aggressive marketing	37% (43%)	10% (0%)	23% (26%)	30% (30%)
Management efficiencies	27% (25%)	0% (0%)	30% (21%)	43% (52%)
Outsourcing selected services/functions	17% (21%)	7% (4%)	17% (25%)	60% (50%)
Efficiencies through labor reforms	43% (22%)	3% (13%)	37% (39%)	17% (26%)
Separate bargaining unit for County home	57% (65%)	30% (4%)	10% (13%)	3% (17%)
Renovation or new construction	41% (39%)	7% (13%)	10% (8%)	41% (39%)
Merging the home with another County department	87%	3%	7%	3%
Revisiting County cost allocations	79%	3%	7%	10%
Expanding the Range of Long-Term Care Options				
Non-regulated services (e.g., home delivered meals, transportation)	63%	7%	7%	23%
Social Model Adult Day Care	77%	13%	7%	3%
Medical Model Adult Day Care	47%	27%	10%	17%
Respite Care Social Model	87%	3%	0%	10%
Respite Care Medical Model	63%	10%	7%	20%
Enriched Housing Social Model	93%	3%	3%	0%
Adult Care Facility Social Model	87%	3%	3%	7%
Early to Mid-Stage Dementia Social Model	77%	3%	0%	20%
Assisted Living Program	67%	20%	13%	0%
Certified Home Health Agency	77%	13%	0%	10%
Subacute Care and Special Care Units	33%	13%	7%	47%
Expanded therapy / rehabilitation services	23%	10%	23%	43%

Source: CGR County Leader and County Nursing Home Administrator surveys conducted first quarter of 2013

Note that in the table we have presented two sets of percentages: the first (and in some cases the only) number refers to the proportion of 31 nursing home administrators who checked the status of consideration or implementation in their respective counties of each of the listed options. The second number (noted in parentheses where there are two) refers to the proportion of the 25 counties whose leaders provided their perspectives on what had been done with these options in their counties.

In options where only the first number appears, that particular option was not included in the county leader survey.

In general, the administrators and county leaders had similar perceptions about the general status of the extent of consideration given to various options in their counties, but the specific proportions differ for various reasons, including the fact that 31 counties are included in the administrator numbers and only 25 in the analyses of the county leader responses; and different levels of understanding of issues by county leaders and nursing home administrators, each of whom may be aware of some things of which the other is not cognizant.

The options that make most sense for a given county to consider will vary from home to home and county to county, given circumstances unique to each. Counties have begun, or can begin to determine for themselves which of various options would be logical and reasonable to consider under their distinct circumstances, and which should be discarded as untenable for various reasons. Indeed most counties have begun to undergo such a process, at least informally, while others have done so more formally and have even made specific decisions to adopt or reject certain options, as summarized in Table 7.

Options to Limit the County's Role in Nursing Home Care

Counties considering options in this category need to be comfortable that new ownership arrangements will continue to meet county goals and expectations for nursing home operations.

Counties choosing options in this category would in some cases fully eliminate any future direct responsibility for the operation of the current county nursing facilities. In most of the options, the county would get out of the nursing home business entirely, while in others it would continue to play some reduced role. But in each of the options (with the possible exception of the sale of licensed beds, depending on the number sold), the county government's day-to-day responsibility for managing and operating the county nursing home would be significantly reduced, if not eliminated. *Thus counties need to be careful about considering their comfort level ceding future decisions related to the nursing home to other providers; make certain that they have carefully thought through what expectations they have of the new circumstances; and that they are comfortable with any new ownership arrangements, including the specific new providers, that may emerge from the process.*

As indicated in the table, the options in this category, with the exception of the potential sale of the nursing home, have either not been considered, or have been considered and rejected, by the vast majority of counties with nursing homes. None of the options has been implemented to date by more than about 10% of the counties, though that is beginning to change with the sale option and to some extent the creation of local development corporations to help facilitate the sale of nursing homes in some counties.

Options to Continue County Nursing Home Operations with Reforms

The range of possible options outlined in this category implies an ongoing commitment to have the county continue to operate and support the public nursing home, but with one or more significant changes made in its internal operations or facilities, the way the home functions, and/or how decisions are made concerning its future operations. Although none of these are necessarily easy and without controversy to implement, on balance they represent arguably easier choices to make than most of those in the other two categories of possible options.

Many counties have not explored a number of potential revenue-enhancing or cost-reduction potential options. Other counties have proven the value of a variety of ways of creating options that save significant dollars and/or increase revenues, and enhance services, if the will is there to address difficult issues.

Thus, it is not surprising that several of these options, as shown clearly in Table 7, are among the most frequently-implemented alternatives available to counties and their nursing homes (or are under the most active current consideration). Nonetheless, it is striking that many of the implementation proportions are as small as they are. For example, it seems surprising that only 30% of the administrators indicate that they have engaged in more aggressive marketing efforts, and that only 43% have implemented management efficiencies—and that 27% have never considered this option. And despite the talk of working more effectively with labor unions around issues unique to nursing homes, and the need for addressing issues with unions related to future cost-savings and revenue-enhancing options, relatively little has been done on this front.

Options to Expand the Range of Long-Term Care Alternatives

Given efforts to control long-term-care costs, the need to maintain high bed occupancy rates in nursing homes, and the desires of more elderly people and people with disabilities to remain in their homes and other community-based, less-institutional settings for as long as possible, more and more emphasis is being placed on offering lower levels of long-term care. And yet few counties, as noted earlier in the report, provide systematic approaches to the delivery of a range of long-term-care options. This set of options involves the possibility of having nursing homes add various long-term-care options to their core nursing home services and/or for counties to explore how these options might be expanded in their communities, with or without the nursing home involvement.

The assumption underlying this set of options is that the county nursing homes could or could not stay in business, but they and their counties would consider the possibility of adding, themselves or in partnership with others, one or more alternative levels of services to enhance the community's core long-term-care services. Many of these options would require approval by a state agency and ongoing state regulation. Most would have the potential to generate revenue for a nursing home, while at

A number of relatively unexplored options exist for enhancing a county's long-term-care portfolio.

the same time creating potential for recruiting future nursing home residents.

Many of these options have received little attention to date by their counties or nursing homes. The most frequently-implemented options to date are rehabilitation services and various sub-acute and special care units, consistent with data presented earlier in the report. Several other options have been implemented by as many as about a fifth of the counties, while several others have yet to be implemented by a single county.