

I. INTRODUCTION AND CONTEXT

A steady decline in New York counties owning public nursing homes threatens to become a mass exodus in the near-term future, as numerous counties are in the process of selling or seriously considering sale of their homes.

Fifteen years ago, 40 of New York's counties outside New York City owned and operated a total of 44 nursing facilities¹. By the spring of 2013, the number of non-NYC county-owned nursing homes had declined by 20%, from 44 to 35. As shown on the map on the next page, by early 2013 only 33 of the original 40 counties continued to own a nursing facility (a 17.5% decline), as seven counties representing most regions of the state, from northwest to southeast and in between, have made decisions to opt out of public nursing home ownership.² Since the late 1990s, an average of one county nursing home has ceased to exist (either through transfer of ownership to a non-public owner or through closure) every two years.

This steady decline in recent years threatens to become a massive exodus from the public nursing home playing field over the next two to three years and perhaps beyond. As discussed in detail later in this report, at least eight of the remaining counties currently owning nursing homes have recently taken significant steps in the direction of selling their homes, and others are considering selling. So it is not unlikely that two or three years from now, the number of counties owning their own nursing facilities could well be 25 or even fewer.

Threats to the Future of County Nursing Homes

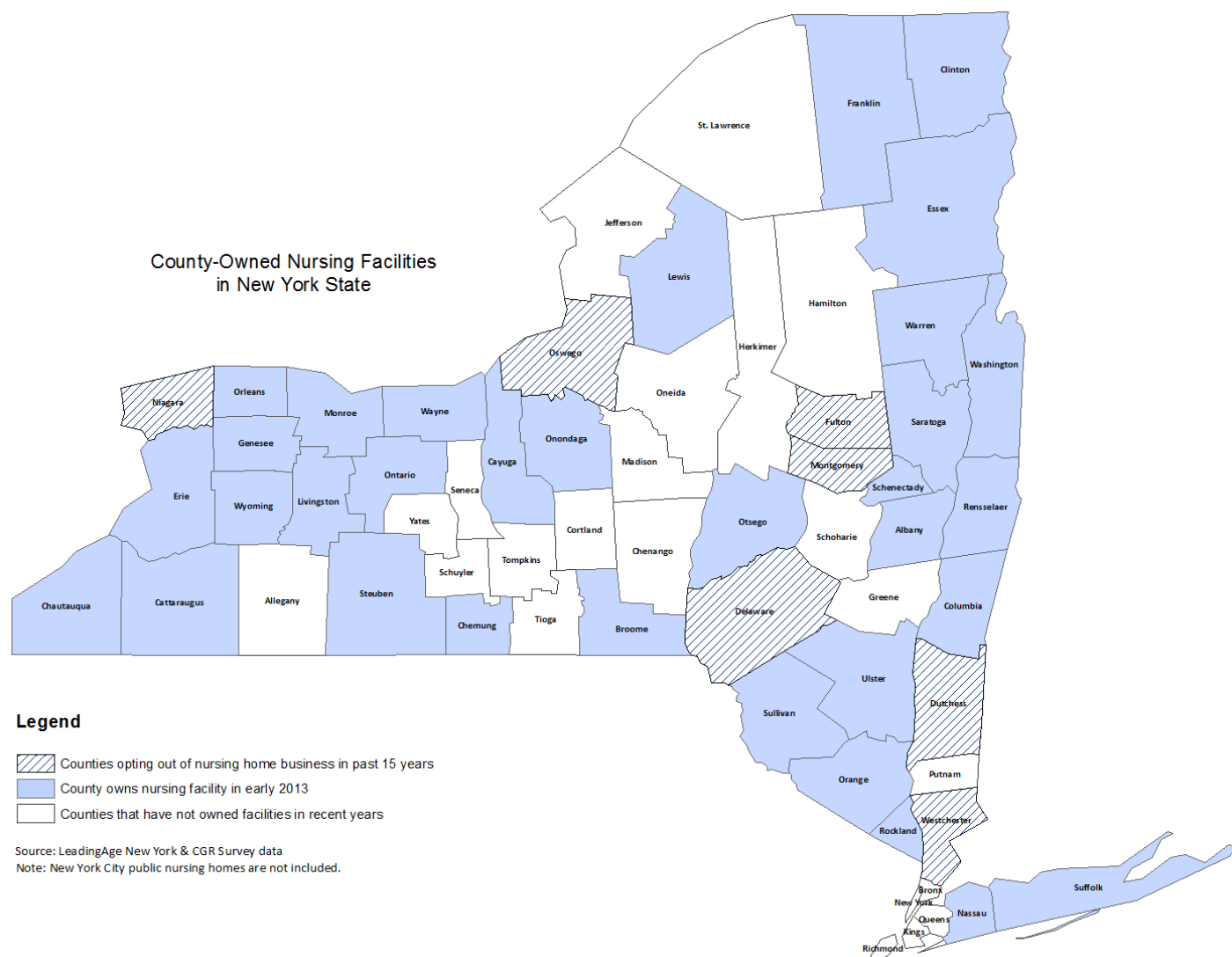
As recently as six years ago, in a statewide study of issues facing county nursing homes, about 70% of the county home administrators, while acknowledging various concerns about the future of their facilities, nonetheless indicated that they were not at that time feeling any "active encouragement" to consider sale or other dramatic alternatives for their homes' futures.³ So why this recent surge and heightened sense of urgency for counties to take steps to move away from their decades-long commitment to operating public nursing homes and their oft-stated commitment to serving "disproportionate numbers of often low-income, hard-to-place" county residents?

¹ Not counting an additional five public nursing homes in the NYC boroughs.

² In addition to the seven counties shown on the map that no longer own nursing homes, the counties of Albany and Livingston, which used to own and operate two facilities each, now each own only one home. Cattaraugus is the only county which continues to own two facilities; Erie also owned two until merging into a single facility early in 2013.

³ See CGR, *County Nursing Facilities in New York State: Current Status, Challenges and Opportunities*, September 2007.

Map 1



To be sure, even six years ago, there were beginning to be clear signs of vulnerability among some county nursing facilities. As stated in that 2007 report, the future of county homes even then was beginning to be endangered by increasing costs, reimbursement levels that failed to cover those costs, and resulting increases in operating losses, accompanied by the need for increasing county subsidies. *Since then, those initial warning signs have become a clear unmistakable trend in virtually all remaining county nursing homes.*

Reimbursement rates and levels have continued to decline; costs—some controllable by the homes, others affected by decisions not controlled by home administrators—have continued to escalate; and county officials have become increasingly alarmed at patterns of increasing county home deficits and their implications for increasing costs to taxpayers of continuing to own and operate the non-mandated county homes. Add to

that the uncertainty of the continuation of revenue sources such as Intergovernmental Transfer payments, the uncertain implications of health care reform and of the emerging trend toward managed care coverage, and the implications for counties of the New York State property tax cap—and a “perfect storm” of threats to the future viability of county nursing homes becomes clear.

A perfect storm of threats and barriers makes county nursing homes vulnerable, and yet many county leaders are reluctant to sell in the face of other competing realities.

Financial considerations are not all that is at stake, however. For example, county nursing homes typically have been in operation for many decades, and have been considered an important part of their county’s mission, often serving residents other non-public nursing homes are reluctant to serve. In addition, in several counties, few other non-county-owned nursing homes exist as viable options to offer long-term-care services to county residents, as discussed in more detail in the next two chapters. Moreover, the average county home serves more than 200 residents per day and employs almost 300 people.

So with hundreds of lives affected, and often one or more public employee unions involved, elected officials are understandably reluctant to alter the status quo. Thus tensions exist between these different and often competing realities, and *counties are increasingly faced with either needing to find ways to significantly reduce nursing home costs and/or expand revenues, or to consider alternatives to continuing ownership of their nursing facilities.*

Unknown Impact of Divestiture Decisions

The dilemma of whether or not to sell county nursing homes is exacerbated by the lack of documented evidence concerning what is likely to happen if a county gives up control of the future of its nursing facility. This study attempts to provide such information.

In addition to attempting to reconcile this climate of tensions between historic mission and worsening and uncertain financial realities, county officials seeking to make informed decisions about the future of their nursing homes are also confronted with uncertainty as to what is likely to happen should they decide to sell, close or otherwise dispose of their nursing homes. If they make a decision to divest from county ownership, and in so doing give up control over the future of the facility, what should they assume about the future of the facility, its employees and the current and potential future residents? What should they assume about the future impact on county finances? In short, what assumptions is it reasonable for county officials to make about the likely impact of their decision?

Unfortunately, beyond anecdotal information, to date there has been no systematic objective analysis of the consequences—positive and negative, anticipated and unanticipated—of closing or transferring ownership of county nursing homes and of shifting beds from the public to private sectors; of what impact such previous decisions have had on the “safety net” role often attributed to county homes and the vulnerable populations they serve; of what impact the decisions have had on employees of the county facilities; of how such decisions have impacted county government

and its financial profiles; and of whether and how state policy and reimbursement practices should be affected in the future. This study is designed to address these and related issues.

Study Focus and Purpose

The New York State Health Foundation agreed to fund this study to “identify the important consequences of shifting nursing home beds from the public sector to the private sector, in order to determine public policy implications for New York’s nursing home system.” The study was designed to document the tangible results of previous decisions to close, sell or maintain county nursing homes, in the context of a comprehensive analysis of the changing environment in which nursing homes in general, and county homes in particular, exist. This study’s focus on the impact of previous county decisions to sell or close their nursing homes, and the potential value of understanding such previous impacts in helping shape future decisions facing other counties—in combination with its comprehensive analysis of the current and evolving status and characteristics of, and challenges facing, county nursing homes—is unprecedented in New York. As such it is designed to provide objective data-driven policy guidance to the state and to counties deciding the future of their nursing homes in coming years.

The NYS Health Foundation funded this study to identify key consequences of previous decisions to shift nursing home beds from the public to the private sector, with results designed to provide data-driven public policy guidance to the state and counties deciding the future of their nursing homes.

It should be emphasized that this study is, by design, focused primarily on the historic and current status, and future, of *county/public* nursing homes and the public policy implications of support for such facilities. It also places those county facilities in the larger context of the nursing home industry in general, represented by the county homes’ competitors of for-profit and non-profit components of the nursing home business.

Who Did the Study

CGR (Center for Governmental Research) conducted this study. CGR is an independent non-profit with 98 years of experience as an award-winning provider of strategic research and analysis throughout New York and beyond. CGR has an extensive history of conducting high-quality work in the areas of health and human services, including a statewide and county-specific focus on long-term care issues. We have both a big picture perspective, and a more detailed understanding of the complex issues and unique characteristics, opportunities and challenges facing county-owned nursing homes. In addition, we have a clear understanding of the dramatically changing environment within which nursing homes operate, at federal, state and county levels. Our relevant expertise includes, but is not limited to, conducting two previous statewide studies of the challenges facing county nursing homes (1997 and 2007) and recently assisting nine counties in assessments of future options for their residential nursing facilities.

Most of the report's trend comparisons between county-owned, for-profit and not-for-profit nursing homes in New York were made possible by our collaboration with LeadingAge New York. Founded in 1961, LeadingAge New York (formerly NYAHS) represents not-for-profit, mission-driven and public continuing care providers, including nursing homes, senior housing, adult care facilities, continuing care retirement communities, assisted living and community service providers. LeadingAge New York's more than 600 members employ 150,000 professionals serving more than 500,000 New Yorkers annually. The organization is involved in advocacy, research, education, and consulting. LeadingAge New York monitors the pulse of state government, and is a respected force in helping shape long-term-care policies at the state and local levels.

In addition, the executive board members of County Nursing Facilities of New York, the statewide association of county homes, provided an important support role during the study.

The crucial funding partner for this study was the New York State Health Foundation (NYSHHealth). NYSHHealth is a private, statewide foundation dedicated to improving the health of all New Yorkers, especially the most vulnerable. Today, NYSHHealth concentrates its work in three strategic priority areas: expanding health care coverage, improving diabetes prevention, and advancing primary care. The Foundation is committed to making grants; informing health care policy and practice; spreading effective programs to improve the health system; serving as a neutral convener of health leaders across the State; and providing technical assistance to our grantees and partners.

Methodology

In order to carry out the purpose and goals of the project, the following primary research components were undertaken:

❖ **Case studies of counties that sold or closed their nursing homes.**

We conducted case study analyses of the impact of previous decisions of six counties that have made recent decisions to close or sell their homes, and compared their experience with comparable counties that, under similar circumstances, decided to keep their facilities, at least to this point. The case studies included the four counties that by 2012 had sold their nursing homes since 2005—Oswego, Delaware, Montgomery and Fulton—and the two counties that closed their only county home in recent years—Westchester and Niagara.⁴

⁴ Dutchess County also sold its county nursing facility in 1998, but that was too long ago for inclusion in our study, given the inability to track down relevant data and key persons knowledgeable about the transfer-of-ownership process conducted at that time.

We interviewed key officials of each county and the affected nursing homes who were familiar with the decisions made at the time, as well as others able to shed light on the current situation post-divestiture of the former county home (and comparable periods for the comparison counties which did not close or sell their homes). We also collected and compared various data concerning the affected facilities and counties prior and subsequent to the sale or closure decisions. We tracked the implications of the county decisions on “pre and post” county tax levies; staffing levels of facilities; case mix indices and other characteristics of residents of facilities; commitments to residents and employees of the county homes; employee retention and salary and benefit levels; changes in net operating gains or losses; indicators of facility quality of care; admission criteria and options available for difficult-to-place residents.

We also assessed “pre and post” changes in capital improvements in the facilities; perceptions of residents, family members and policy-makers concerning the quality of care and services offered; policy-maker post-mortem perspectives on the decisions made, and whether they accomplished what was intended, along with any unintended consequences. We assessed the implications of the decisions county by county, as well as in the aggregate, in order to assess the overall impacts of the decisions and their potential implications for other counties considering divestiture now and in the future.

- ❖ **Trend analyses of aggregate NYS nursing home data.** We placed the case study analyses in the context of a comprehensive analysis of a wide range of data about nursing homes in New York. As in two previous statewide studies done by CGR of county nursing homes,⁵ we conducted detailed trend analyses of aggregate NYS nursing home data, comparing public homes with for-profit homes and non-profits. Trends were compared over a 10-year period (2001-2006-2010—2010 was the most recent year for which most data were available). Major topics / questions addressed in these comparisons focused on such indicators as numbers of beds, staffing, occupancy rates, resident characteristics, quality of care data, payer sources, costs, revenues, net operating gains and losses, and county subsidies. The source for most of these analyses was the extensive historical database on nursing homes throughout the state maintained by LeadingAge New York, with which CGR was pleased to partner on this study. As in the

⁵ See CGR, *What Should Be Done with County Nursing Facilities in New York State*, September 1997, and CGR, *County Nursing Facilities in New York State: Current Status, Challenges and Opportunities*, September 2007.

previous statewide studies, *the focus of these data comparisons was on non-NYC nursing homes.*

- ❖ **Survey of county nursing facilities.** Key components of both this and the two previous statewide studies involved comprehensive surveys of each county nursing home. The administrator of each current county facility was asked to complete a comprehensive survey. Several of the questions in the current and previous surveys were identical, in order to facilitate comparisons of “then and now” responses where possible. A number of additional questions were added to the current survey to address new issues and changing needs affecting county facilities. The survey enabled us to obtain detailed information about various aspects of the county facilities which were not available from other data sources, including specific challenges facing county homes given their particular mission as public facilities, and relationships with their respective county governments.

Ten years of historical comparisons, along with high levels of survey completion by counties with nursing homes, and case studies documenting the impact of previous county home sales and closures, provide comprehensive findings and insights concerning likely implications of any future divestment decisions being considered by counties.

Surveys were obtained from 32 of the 35 non-NYC county nursing facilities, representing 31 of the 33 counties with one or more public nursing homes (a 94% response rate).⁶ Responses were representative of all types of county homes, including all regions of the state, large and small facilities, and urban, suburban and rural counties.

- ❖ **Survey of key county leaders.** In addition to the facility survey, we also surveyed key elected and appointed county leaders/decision-makers in the 33 counties which continued at the beginning of 2013 to own and operate their own nursing facilities. In each county, we attempted to obtain completed surveys from some combination of the following: the county’s elected county executive or appointed county administrator/manager, and the chair of its legislature or board of supervisors. We received survey responses from 29 of the 33 counties (an 88% response rate). In 21 of those counties, we received a single response (two-thirds of those from the county executive or administrator/manager), and in eight we received responses from both the executive/administrator and the legislative/board leader. In the latter cases, the responses were typically similar, but we presented the range of responses for the counties where there were differences in responses to individual questions.

⁶ We received a survey from one of the two Erie County facilities, but not the one that was in the process of being closed and consolidated into a single facility. Most facility surveys were submitted in complete form, but some did not answer a few of the questions. CGR added responses to some of those questions, where we had sufficient information and knowledge of the facility to do so. We are confident in the reliability and representativeness of the facility survey data presented throughout the report, unless caveats or cautions for specific data are explicitly cited in the text.

Whereas the nursing home administrator survey covered both perceptions as well as extensive factual information about each nursing facility, the county leader surveys focused more on the perceived value of the nursing home, and factors likely to shape decisions about the future of the county home. Many of the perceptual and future-oriented questions were similar or identical to those in the nursing home administrator survey, in order to facilitate comparisons where appropriate.

- ❖ **Presentation of preliminary data to County Nursing Facilities of New York (CNFNY) Fall Conference.** One of the initial deliverables in the project was a presentation to the Fall 2012 conference of CNFNY, the state association of county nursing facility administrators. At that conference we presented preliminary 10-year historical comparisons between county/public, non-profit and for-profit nursing homes, and in a follow-up discussion, received valuable feedback that helped shape our subsequent more extensive comparison analyses of the statewide aggregate data, as well as providing guidance concerning the design of the two surveys noted above.
- ❖ **Focus group discussions with county home administrators.** At the same fall CNFNY conference, CGR also facilitated three focus group discussions with administrators of about 20 county nursing homes. As with the survey, the administrators were representative of the variety of non-NYC county-owned homes throughout the state. The discussions were helpful in fleshing out issues and their implications in more detail than was possible with only the written surveys or aggregate data analyses. The discussions focused primarily on circumstances in the counties affecting the future of public facilities, perceived implications of continuing as public facilities versus potential county decisions to divest from future ownership, and information administrators believed was needed by county leaders to help inform their ultimate decisions about the homes' futures.
- ❖ **Coordination with project steering committee.** Throughout the project we had the benefit of input from a steering committee made up of the leadership of CNFNY, as well as consultation with our formal data partner on the study, LeadingAge New York. Their respective input and advice were especially helpful around issues of interpretation of data and reviews of drafts of surveys and of this report. This consultation did not attempt to influence our findings and conclusions, but proved helpful in making sure that key questions were raised during the study, and that our work was placed in the most

timely context possible. Supplementing our knowledge and contacts, we also consulted with our partners to monitor developments at state and federal levels concerning regulations, reimbursement rates, legislation and various policies affecting nursing homes in general, and public homes in particular.

The remainder of this report integrates the findings from the various study components into chapters focusing on the context or environmental factors impacting county nursing facilities; characteristics that distinguish county facilities from other types of nursing homes; challenges and opportunities facing county homes; impacts of previous county decisions to sell, close or maintain their nursing homes; and conclusions, implications and proposed next steps and recommendations for the future.