

# The Future of County Nursing Homes in New York State

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## SUMMARY

Virtually all nursing homes across New York State—whether operated by a county, for-profit company, or non-profit operator—face wide-ranging, significant challenges. For county-owned homes, however, the future is especially troubled.

The Center for Governmental Research (CGR) of Rochester conducted a year-long, statewide study that focused on nursing homes owned by 33 counties, four homes sold by other counties since 2005, and two homes closed by counties in recent years. The study did not include nursing homes in New York City.

The New York State Health Foundation funded the study to identify key consequences of previous decisions to shift nursing home beds from the public to the private sector. The Foundation also supported CGR's goal to provide data-driven policy guidance to the state and to counties owning their own nursing homes.

CGR's analysis of relevant statewide datasets, case studies of county homes previously sold or closed, surveys of county officials and nursing home administrators, and interviews with stakeholders and industry experts, lead us to the following major conclusions:

1. The financial stability of county homes has eroded substantially over the past several years, as has the commitment of county officials to continue operating the facilities. In 2010, 92% of the county homes in the state lost money, with median losses per resident day doubling since 2006 and quadrupling since 2001. County homes are rapidly losing market share to non-public homes, particularly to for-profit providers.
2. A relatively recent, yet steady decline in New York counties owning and operating nursing homes could become a notable exodus in the near-term future. At least eight counties are currently in various stages of selling their homes, and at least five more have indicated that they are actively considering selling.

3. But many counties are currently planning to stay in the nursing home business. For them, continuing to conduct business in the future as they have in the past is unsustainable. County homes, county governments and the state must think strategically about their future.
4. Much of the annual operating deficit faced by the 33 counties that operate nursing homes is attributable to high costs of employee benefits, largely due to health insurance and pension costs. Median employee benefit costs per resident day in county-owned homes rose 181% in the 10 years ending in 2010. This is due in large part to long-ago negotiations by state and county elected officials, and union leaders. Without intentional, collaborative efforts by key stakeholders to address these issues and implement needed changes, most county homes have little chance to survive.
5. The results of recent sales and closings of homes are, to date, mixed. On the positive side, they have reduced costs to counties and in some cases facilities and care have improved. However, one of the four homes sold was later closed by the state due to poor performance, displacing more than 100 residents; and in some facilities staffing and quality of care have declined. For the most part, the oft-cited fear that “hard-to-place” residents would not be served if homes were sold has not been realized, as most new operators have admitted such residents.
6. Outright closure of existing county homes appears to have few, if any, real advocates among county leaders.
7. Decisions about the future of county-owned nursing homes are typically being made without a sufficient context. Few of NY’s counties have comprehensive long-term-care plans in place, despite projections that the state’s population is growing older and living longer.

In exploring the future of county nursing homes, county leaders must do due diligence, ranging from exploring ways of reducing internal costs and enhancing revenues to weighing the potential for selling the home, and if so, carefully considering to whom and under what conditions. The unique circumstances that exist in any county, and the variation in outcomes of previous sales, point to the need for counties operating homes to carefully consider their own situation and options. Key variables to consider include:

- ❖ The number of other nursing homes in the county;

- ❖ Whether the county has an overall surplus or shortage of nursing home beds;
- ❖ Projections of 75+ and 85+ populations over the next decade and beyond;
- ❖ Incidence of indigent elderly county residents;
- ❖ History of serving high proportions of Medicaid and other “hard-to-place” residents;
- ❖ Availability of long-term-care services other than nursing homes to county residents.

Specific recommendations for the state and also guidelines for counties weighing the future of their nursing homes are outlined in significant detail in the final chapter of the report. Highlights of those recommendations and guidelines are provided below.

### State Recommendations

A key recommendation for NYS officials is to work with their federal counterparts to ensure the future availability of the Intergovernmental Transfer (IGT) Program. IGT, a federal initiative carried out in partnership with the state (and requiring a 50% match from a participating county) offers a needed source of revenue to county nursing homes.

Other recommendations include providing supplemental financial incentives to selected nursing homes that meet specific criteria (e.g., demonstrated need, significant admissions of “hard-to-place” residents); expanding partnerships with counties to thoroughly assess options for the future of their county homes; and providing incentives to help counties establish expanded community-based, long-term-care services that supplement institutional nursing home care.

### County Guidelines

In addition to thoroughly exploring options for their homes before making decisions about their future, CGR’s recommended guidelines for county officials and nursing home administrators include developing county long-term-care plans and expanding community-based services; and strengthening working relationships between nursing home administrators, labor representatives and county officials to make county homes more financially viable.

For those counties that opt to sell their homes, the guidelines call for establishing clear county criteria and expectations for potential buyers to meet; and holding potential buyers accountable for meeting those expectations.

## Study Website

CGR has created a special website where key findings, recommendations for the state, guidelines for counties, the full report, information on study partners, and more are posted. See: [www.cgr.org/NY-county-nursing-homes](http://www.cgr.org/NY-county-nursing-homes).

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The mission of NYSHealth is to expand health insurance coverage, increase access to high-quality health care services, and improve public and community health. The views presented here are those of CGR and not necessarily those of the New York State Health Foundation or its directors, officers, or staff.

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## Staff Team

Whatever criticisms are raised about this study should be directed to the project director. Whatever praise is associated with the report should be shared with a number of dedicated staff who provided significant contributions to many components of the study. First and foremost, Project Manager Erika Rosenberg was responsible for the case study/ impact of transfer of ownership portion of the study, and wrote the chapter detailing her findings, as well as playing key roles in survey design and other aspects of the project. Vicki Brown helped conceptualize the project from the beginning, and played the lead role in developing a wide range of

project deliverables apart from the report itself. Kent Gardner helped with project conceptualization and advice and final recommendations. Katherine Bell and Rachel Rhodes were instrumental in analyzing and making sense of the extensive survey findings, and following up with survey respondents to ensure that we received the most complete and accurate responses possible. Mike Silva worked his magic in making sense of voluminous data from LeadingAge New York, and converting the information into graphs that told a story more eloquently than the surrounding narrative. Eric Hepler provided important analyses of key demographic data at the county level. Scott Sittig helped with the case study analysis, and Dan Whalen provided data support early in the project. Jaime Saunders was also helpful early in the project in conceptualizing data organization and analysis and framing key issues to be addressed.