



**To: PACAH County Owned Members**  
**From: Kelly Andrisano, PACAH Executive Director**  
**Date: February 18, 2015**  
**Re: County Home Study Advocacy**

**Overview of Study:**

As you are aware, PACAH had an independent study done by Carbis Walker looking at the impact on the state of Pennsylvania in terms of Medicaid Rates when a county owned nursing home privatizes.

The study ultimately found that there would be an increased cost to the state of Pennsylvania, in terms of Medicaid rates, of approximately \$29.4 million in just one year if every county nursing facility were to privatize.

To understand the study, it is important to point out that in Pennsylvania, county nursing homes are paid differently than private nursing homes. Private nursing home Medicaid Rates are driven largely by the home's Case Mix Index (CMI) which is based on patient acuity. County homes' Medicaid Rates are NOT based on the CMI. Our question was when a home goes from public to private, and the payment methodology changes, do the rates stay the same, increase, or decrease.

The study found that in the five most recent county nursing home sales, the CMI increased toward the state average, some going above the state average (see page 3 of the report). These increases, if maintained, will cost Pennsylvania \$7.6 million annually. The trend for increases in CMIs makes sense, as a private home has an incentive to maximize the CMI and increase their payments, while a county home does not have the same incentive.

If the trends were to continue, and each county nursing home privatized, the expected increase in CMIs to at least the state average would cost Pennsylvania an estimated \$29.4 million per year. We believe this

figure is actually low, as it assumes those few county homes with CMIs currently above the state average would see a decrease, when the trend is actually to increase.

This \$29.4 million estimated cost to the state of Pennsylvania does not include the impact on Certified Public Expenditure funds (CPE) or the Nursing Home Assessment. In terms of the CPE, public nursing homes are able to draw down additional federal dollars from the CPE. This process does not cost the state general fund dollars. Last year, through the CPE, Pennsylvania received \$29.8 million in CPE funds that went to cover long term care costs. These funds would also be lost if all of the county homes privatized, adding an additional cost to the state and making the total annualized impact to Pennsylvania a loss of \$59.2 million.

We believe this increased cost to the state of Pennsylvania is a public policy concern, not just for counties with public nursing homes, but for all counties. The increase in cost of \$59.2 million due to nursing homes privatizing would impact other areas of the budget and would be felt in other line items impacting county services.

In addition, there are other policy implications of county homes selling. For example, lower acuity patients who drive down a private home's CMI may have a difficult time finding a nursing facility bed. Also, county homes are the only facilities required to take Medicaid patients on day one, which is impacted by privatization.

Finally, there are additional local implications to county homes privatizing which are also important to emphasize. At the local level, the commissioners, nursing home administrator and staff are in the best position to communicate what makes their specific home an essential part of the community. What specific local needs are you meeting? Do you provide other services for the county/community that would still have to be provided, and funded, if the home was sold? Are there general fund costs that are run through the nursing home that would not be eliminated upon privatization?

**Action Steps:**

This memo is to help our members understand how to use the study in conjunction with grassroots advocacy to mitigate the privatization of county homes through increased funding and policy changes. While both PACAH and CCAP staff will continue advocacy work on behalf of PACAH members, for



changes to happen it is crucial that the membership themselves start to engage in grassroots advocacy at the local level. We are happy to assist in any way we can, and would be available to do legislative visits in Harrisburg or locally if you prefer. We believe that this study, showing an actual cost to the commonwealth of Pennsylvania when a home privatizes, is key to getting more funding as well as other advancing other requests that will help county homes in the future. There are several action steps that can be taken to assist in advocacy.

- 1) **Share the study with Commissioners:** While we plan on sharing the study with commissioners, it is important that you also discuss this with your commissioners. They may be more inclined to listen and take action on the issue when it is presented from someone locally. We have prepared a cover letter for commissioners that explains the study, please feel free to include that as well. We have also prepared a sample cover letter for legislators. Feel free to share this with your commissioners as well so they can personally send the study to legislators.
- 2) **Meet with local legislators to discuss the study:** Set up a time to visit with local legislators in their home offices to discuss the study. Remember to bring along the study and a cover letter explaining it, including local highlights so that when you leave they have something to refer to. Keep in mind you may have just 15 minutes to explain your position. In the alternative, invite local legislators to visit the nursing facility. You can host a breakfast, or offer a tour and invite the local press as well. If you are not successful in arranging a meeting, feel free to schedule a call instead. Remember that it is important to discuss the issues with legislative staff as well. If there is a particular legislator you would like to visit with in Harrisburg, please feel free to ask PACAH/CCAP staff and we can try and assist with arranging something.
- 3) **Draft a personalized letter to local legislators:** We have included a draft cover letter for you to use with legislators in your district and legislative leadership. Feel free to personalize as needed or use your own. Include the summary of the study as well as the information from your county home. It is important that legislators hear from their constituents on this issue or they are not likely to take action on it. Including personalized information in the letter is important, such as facts and highlights about the county home, personal stories, what amount of reimbursement increase would mitigate privatization, and what increased reimbursements could cover/add to the home.

### **Requests:**

We believe that county home privatization could be mitigated by a combination of increased funding and other policy changes that are outlined below. The idea is that a small amount of additional funding plus



some policy changes could eliminate the need for privatization and the increased cost to the state of Pennsylvania that comes with it. If you believe that in your county a modest increase in reimbursement rates could help sustain the county home; please specify that in your discussions. If you believe that there are other policy changes that could be taken care of legislatively that would help your facility add those requests as well. Otherwise, here are the requests PACAH is making:

1) **Eliminate the county share requirement:** Pursuant to Act 132 of 1976, counties are required to pay ten percent of the non-federal share of the cost of care of a Medicaid Resident. This equals approximately \$20 million per year and is currently paid for through the CPE. Instead of using this CPE funding for an across the board payment of “the county share,” this money could be used for incentive payments or to reimburse county facilities directly. \*legislative action required; no state general fund impact

2) **Provide a county supplemental payment in the FY 2015-2016 Budget:** For the past two years, the state budget has included supplemental funds for non-public homes that meet certain MA occupancy levels and for one of the county homes. These are both much needed payments and should continue; however, it makes sense that additional funds should be set aside for county facilities as well. A supplemental payment to counties of just \$10 million would make a difference in privatization rates. \*legislative action required; state general fund impact \$10 million.

3) **Maintain the County P4P Payment:** The County Pay for Performance (P4P) payment is a very small supplemental payment counties have traditionally received through the CPE process. Last year, the Department of Human Services (DHS) determined there were not enough CPE funds to provide the payment, and it was allocated through the general fund. The payment is only \$3.4 million, but provides a much needed incentive for county nursing facilities. \*legislative action required; state general fund impact of \$3.4 million.

4) **Increase payments to counties through the nursing home assessment:** Currently county homes pay approximately \$17 million into the assessment and receive approximately \$20 million in return. The private facilities split the remaining funds. There is \$298 million available for total assessment payments. Giving the counties just an additional \$8 million toward their supplemental payment would provide much needed financial relief, and it is only 2.7% of the total funding available. \*no legislative action needed; no state general fund impact.

5) **Maximize the use of CPE Funds:** As more county homes have sold, the CPE funds have diminished. Examination of the CPE calculation and discussion to ensure we are maximizing these dollars must occur,



especially in light of the fact that this process does not rely on state general fund dollars. \*no legislative action needed; no state general fund impact.

6) **Increase Nursing Home Rates:** Both county and private homes benefit from increased nursing home rates. There has been small increases over the last two years, but due to years of flat funding before that and the gap in reimbursements and the cost of care, an increase in rates is essential to the future of county homes. \*legislative action required; state general fund impact varies.

7) **Have direct conversations between the counties and Department of Human Services on how to mitigate privatization:** It is important that the state understands the ramifications, both fiscally and in terms of quality of care, when a county home privatizes. There should be regular and ongoing conversations directly addressing this issue, while currently there is not. \*no legislative action needed; no state general fund impact.

**General Advocacy Suggestions:**

This is an initial advocacy action plan, which is fluid and can be altered as needed. Please feel free to contact me with questions and/or comments, and please let us know of any contacts you are able to make. Members can continue to follow-up with questions or follow-up advocacy ideas, and they are welcome to share them with me. Additional talking points and sample letters are also available on the [CCAP Budget Page](#) and [CCAP Legislative Action Center](#). I also strongly recommend that you view [CCAP's Grassroots Toolkit](#) which will be helpful in any lobbying efforts you begin.

