ANALYSIS

Item 16: Department of Human Services
Nursing Facility Capacity Reduction Report

Analyst: Laurie Byerly

Request: Acknowledge receipt of a report on nursing facility capacity reduction activities.

Recommendation: Acknowledge receipt of the report.

Analysis: The budget report for SB 5529 (2013), the primary 2013-15 budget bill for the Department of Human Services (DHS), included a budget note directing DHS to report on discussions about nursing facility capacity reduction and transition. These discussions relate to regional planning work the Department is required to engage in when a long term care facility surrenders its license; this provision is part of HB 2216 (2013). That bill reauthorized the Long Term Care Facility Assessment and set out a process for helping providers reach a goal of reducing Oregon’s long term care bed capacity by 1,500 beds by the end of 2015.

The budget note requires DHS to report during the 2014 legislative session and again near the end of 2014; this is the second report. Since February 2014, the Department has held several meetings with providers throughout the state to generate interest in the capacity reduction program.

DHS reports that 222 beds – or 14.8% of the 1,500 capacity reduction target – have been reduced since January 2014. However, only one 78-bed facility has been affected by the “buy and close” transactions envisioned by the legislation. The remaining bed reductions have been prompted by market conditions and other program changes. The Department will provide an update on bed reduction progress as part of is budget hearings during the 2015 legislative session.

The Legislative Fiscal Office recommends acknowledging receipt of the report.
Request: Report on Nursing Facility Capacity Reduction Activities.

Recommendation: Acknowledge receipt of the report.

Discussion: House Bill 2216 (2013) provides incentives to reduce nursing facility bed capacity in Oregon by 1,500 beds by June 30, 2016. Specifically this legislation modifies the nursing facility rate calculation if the 1,500 reduction target is not met. In addition, the law establishes an augmented rate for any facility that purchases another long term care facility’s entire bed capacity and phases out its excess capacity.

The 2013 budget appropriation bill for the Department of Human Services (SB 5529) contains a budget note directing the agency to, “…engage with local nursing facility providers that are considering taking advantage of the capacity reduction initiatives contained in HB 2216 to assess opportunities for more residential and supported housing capacity development…” The agency is also directed to track and report on discussions about capacity reduction and transition.

This report provides a forum for DHS to discuss the meetings it has conducted on this topic. In addition, the agency has provided an update on progress achieved toward reducing excess nursing facility capacity. As of this report, a total of 222 beds out of the 1,500 target have been reduced since January, 2014. The reductions are the result of a variety of factors including one nursing facility that has taken advantage of the “buy and close” incentives in House Bill 2216.
October 23, 2014

The Honorable Peter Courtney, Co-Chair
The Honorable Tina Kotek, Co-Chair
State Emergency Board
900 Court Street NE
H-178 State Capitol
Salem, OR 97301-4048

Re: Update on Nursing Facility Capacity Reduction Activities

Dear Co-Chairs:

Nature of the Request

As part of the Department of Human Services' budget, the Legislature adopted the following budget note:

The Legislative Assembly is invested in ensuring that local resources exist to serve seniors, people with disabilities, individuals with mental illness, and individuals with physical or mental health needs in need of community transitions or placement. More capacity is needed to divert or transition individuals currently residing in the Oregon State Hospital or other costly inpatient settings.

As the Department conducts regional meetings required under House Bill 2216, the Department of Human Services should consult at the state level and with local communities regarding the need for more community based settings for these populations. The Department shall also engage with local nursing facility providers that are considering taking advantage of the capacity reduction initiatives contained in HB 2216 to assess opportunities for more residential and supported housing capacity development for the afore-mentioned populations.

"Assisting People to Become Independent, Healthy and Safe"
The Department, in partnership with the provider community, shall track and report on discussions about capacity reduction and transition. The first report will be to the Joint Committee on Ways and Means during the 2014 Legislative Session. The second report will be to the Interim Joint Committee on Ways and Means or the Emergency Board, during or near November 2014.

**Agency Action**

Since the last update in February 2014, the Department has continued to engage providers in conversations about nursing facility capacity reduction. The Department has facilitated the following meetings:

- All Nursing Facility Meeting: June 11th
- Targeted Josephine County Meeting: August 15th
- Targeted Deschutes County Meeting: August 25th
- Targeted Lane/Douglas Meeting: September 8th
- Targeted Tri County Meeting: September 11th
- Targeted Mid-Willamette Valley Meeting: September 24th
- Targeted Coos County Meeting: October 22nd

At each meeting, the Department explained the rationale for HB2216. Information was provided on historical utilization and financial information of the regional operators. The Department also discussed opportunities for specialized development in community based care settings.

To date, a total of 222 of the 1,500 targeted beds (14.8%) have been reduced since January, 2014. Only one nursing facility has taken advantage of the incentives offered under HB 2216. La Grande Post-Acute Care purchased and closed Vista Specialty Care in the City of La Grande. We are pleased to report that the transition and transactions were successful, validating the model envisioned under HB 2216.

The remaining bed reduction activities were not a part of “buy and close” transactions, but were prompted by the elimination of the provider tax exemptions and other market conditions. We also know that an additional 35 beds will be removed by the end of the year as the result of another nursing facility closure.
Other challenges to completing capacity reduction transactions that have been identified and are being worked on include:

- Agreements with lessors or property owners.
- Agreements with HUD and other secured lenders.
- Other loan covenants.

The Oregon Health Care Association is providing technical assistance and advice to nursing facility operators on potential strategies to overcome these barriers.

There have been additional capacity reduction activities that have occurred outside of the HB2216 process. In total, 222 of the 1,500 targeted beds (14.8%) have been reduced since January, 2014.

We are hopeful that additional activity will occur in the near future.

**Action Requested**

Acknowledge receipt of this report on Nursing Facility Capacity Reduction Activities.

**Legislation Affected**

None

If you have questions or need additional information please contact Mike McCormick at 503-945-6229 or mike.r.mccormick@state.or.us.

Sincerely,

Eric Luther Moore
DHS Chief Financial Officer

cc:  The Honorable Senator Alan Bates  
Ken Rocco, Legislative Fiscal Office  
George Naughton, Chief Financial Office
cc: (continued)
Laurie Byerly, Legislative Fiscal Office
Tamara Brickman, Legislative Fiscal Office
Jim Carbone, Chief Financial Office
Mike McCormick, DHS APD Director