FOR IMMEDIATE RELEASE
FEBRUARY 28, 2006

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HEALTH LEADERS PROPOSE PLAN TO PROTECT, IMPROVE NURSING HOMES
Nursing Homes Across the State Collapsing Under $700 Million in Annual Losses
Plan Would Provide Long-Term Stability; Improve Quality of Care for Residents

Three of New York’s leading health care advocacy organizations today called for the passage of a comprehensive plan to stabilize and protect New York’s nursing homes, and enhance the quality of care for thousands of New Yorkers who rely on them. Since 2003 alone, New York’s nursing home crisis has caused 28 nursing homes to close or to announce plans to close statewide. It is likely others will follow unless fundamental changes are made to the state’s outdated Medicaid nursing home reimbursement system.

The Healthcare Association of New York State (HANYS), New York Association of Homes and Services for the Aging (NYAHSA) the New York State Health Facilities Association (NYSHFA) worked for more than two years to develop a joint proposal for structural changes to the system that would yield long overdue solutions to the financial problems plaguing New York’s nursing home community.

More than 250 nursing home workers, administrators, and residents from every corner of the state converged in Albany today to meet with members of the State Legislature and advocate for passage of this critically important plan.

HANYS President Daniel Sisto said, “We have joined forces to develop a plan that will stabilize our nursing homes today and in the future, and will improve the overall quality of care for nursing home residents. There hasn’t been any meaningful change made to the system for more than 20 years; during that time, community nursing homes have closed in every corner of the state, and those that remain struggle more each year to provide the quality of care their residents deserve.”

NYAHSA President Carl S. Young stated, “New York’s nursing homes are literally fighting for survival, especially the not-for-profit, mission-driven, and public organizations. Inadequate reimbursement, proposed budget cuts, and increasing expenses threaten quality and access for all New Yorkers—not just Medicaid recipients—who need long-term care services.”

NYSHFA President and Chief Executive Officer Richard Herrick remarked, “The more than 300,000 residents served by New York’s long-term care facilities deserve the very highest quality care. Closures and systemic losses demonstrate that nursing homes are struggling to survive. By working together and gathering input from our members across the state, we’ve developed a balanced and effective plan to ensure nursing homes can continue to provide the best services to the residents in their care.”
There are a number of forces beyond a nursing home’s control causing financial hardship and threatening the long-term availability of nursing home beds, chief among them are:

- **Oldest Base Year in the Country:** New York State bases Medicaid reimbursement on costs reported in 1983. This is the oldest base year used in the entire nation. Costs have increased considerably in each of the 23 years since then.

- **$700 Million Annual Shortfall:** Nursing homes are losing $21 or more per patient every day under the current reimbursement system for Medicaid recipients. Over just one year, this translates into losses of more than $7,500 per patient, or $700 million statewide.

- **Skyrocketing Prices:** Medicaid reimbursement rates have not kept pace with cost increases in labor, liability insurance, energy, and prescription drugs.

- **Labor Shortages:** New York has suffered widespread shortages of nurses, aides, and other patient care workers, forcing long-term care facilities to increase compensation to retain employees—and pay expensive temporary nursing agencies to fill the gap when not enough employees can be found.

The HANYS, NYAHSA, and NYSHFA joint proposal would address these core issues by:

**Reforming the Payment Methodology:** Short-term fixes instituted to date have prevented a major catastrophe, but have not created the financial stability nursing homes and their patients need. By updating Medicaid payments to reflect current, real-world costs, nursing home reimbursement would be more in line with the actual costs of providing care. In his 2006-2007 Executive Budget proposal, Governor Pataki has proposed updating the base year. Such an update, while appreciated, would provide incomplete relief to nursing home providers, and represents only a part of the necessary solution. The Governor’s budget also contains more than $500 million in cuts to nursing homes.

**Regularly Updating the Rate System:** Under the joint association proposal, New York’s cost base year would be updated every five to six years. This would prevent the current situation—a more than 20-year cost gap—from ever happening again. In addition, the wage factors would be updated every three years to better reflect ongoing changes in regional labor markets.

**Helping Maintain the “Safety Net”:** Additional assistance would be given to public (i.e., government-operated) and small nursing homes, which act as a “safety net” in their communities. Small facilities, many in rural areas, also contend with diseconomies of scale.

**Measuring Patient Needs Better:** Under the joint association proposal, New York would adopt Medicare’s patient classification categories to measure residents’ care needs. This would better align Medicaid payments with residents’ treatment needs, eliminate conflicting rules between Medicaid and Medicare, and reduce paperwork that takes time away from patient care.

**Serving Hard-to-Place Patients:** Enhanced reimbursement would be offered for patients with Alzheimer’s disease and other conditions, whose care needs are not adequately addressed by the current payment system. This would help ensure facilities can better meet these needs.

**Adopting a More Accurate Cost of Living Index:** Medicaid rates would be kept current by using the consumer price index for medical services. This would be a more accurate and relevant measure of the cost of nursing home services than the formula currently used.

**Transitioning to the New System:** The new proposal would be phased in over three years.