

**ULSTER COUNTY
BLUE RIBBON HEALTHCARE SERVICES ADVISORY PANEL
LONG TERM CARE COMMITTEE REPORT**

FINANCIAL ANALYSIS AND CONSIDERATIONS

***ANALYSIS OF REIMBURSEMENT FOR PUBLIC
FACILITIES VS. PRIVATE FACILITIES***

Reimbursement Formula

The Medicaid formula for determining reimbursement to any nursing home (public or private) in New York State is comprised of an operating component, a capital component and a combination of per diem adjustments for specialty and ancillary services. An additional calculation for private homes only, regarding property, includes an increase to the reimbursement formula for “return on equity”. County nursing homes do not have “return on equity” portion calculated into their rate structure; however, some cost recapture is allowed for bonding of long term notes payable for mortgage costs. There is a clear advantage for private homes due to the increase in Medicaid per diem rates for “return on equity”. County homes typically serve younger residents who, while they are often behaviorally challenging, are not as medically complex.

Reimbursement is weighted to provide more money for more complex patients. Serving less complex residents results in a lower reimbursement as defined by the “case mix index” add-on, which is an indication of intensity of required care.

County nursing homes also remain locked into an outdated base year (1983) for the calculation of reimbursement rates, while the New York State Legislature recently updated private homes to 2003. This disparity in the base year causes county homes to receive less revenue due to a 20 year calculation that has been trended forward based upon economic market basket estimates and not true cost increases.

Primary Payer

Approximately 80% of nursing home care in New York State is paid for by Medicaid. County nursing homes have a higher percentage of Medicaid residents than private nursing homes by approximately 10% statewide. Medicaid is the least profitable payer due to lower per diem reimbursement. In addition, county nursing homes have a lower percentage of residents than private nursing homes in all other payer categories- Medicare, Private Insurance and Self Pay. This trend indicates that county nursing homes have less revenue per resident and less total revenue than private nursing homes with the same number of beds. Golden Hill has 75% Medicaid residents, 9% Medicare residents, 16% Private Insurance and Self Pay. These funding sources do not cover the cost of providing care at Golden Hill, meaning that Ulster County tax dollars must make up the loss.

Cost Structure

County nursing homes have significantly higher cost structure than private homes throughout New York State. This higher cost allocation is due primarily to higher wages, benefits and pension costs per day. This higher amount represents approximately \$35 more per resident day for county homes versus private homes. Perhaps the greatest cost differential is in the area of payments to the retirement system. This amount is predicted to continue growing as more county workers become vested and eligible for retirement benefits. Downturns in the stock market may increase County pension funding requirements.

Operating Margins

As county home expenditures continue to increase, revenues have not kept pace. Operating margins for county homes have dramatically declined over a ten year period. The average county nursing home in New York State loses approximately \$16,000 per bed per year. This compares to an operating gain for private nursing homes of approximately \$900 per bed per year.

Intergovernmental transfers (IGT), once a source of increased Medicaid reimbursements to offset low reimbursement and treating “safety net” residents, has declined in recent years to an insignificant amount, thus eliminating a past source of revenue for county homes.

Funding of Golden Hill Health Care Center Operating Losses from Ulster County

The actual Ulster County experience is consistent with the report prepared by the Center for Government Research. The operating losses that have had to be funded by Ulster County taxpayers are presented in the following table. Note that the intergovernmental transfer (former revenue and not Ulster County tax dollars), has been reduced to zero.

TABLE IV
ANNUAL COUNTY SUBSIDY of GOLDEN HILL

Year	Intergovernmental Fund Transfers from Ulster County General Fund	Explanation
2008	\$4,040,346 projected	Possible decrease due to potential of rebasing transition money and \$100M grant phase in due to public nursing homes by the state. IGT \$0
2007	\$5,108,043	IGT \$0
2006	\$5,766,375	Greater reimbursement than expected, small intergovernmental transfer, disadvantaged home funding IGT \$74,582
2005	\$5,186,063	IGT \$564,348
2004	\$3,570,976	IGT \$622,859
2003	\$389,625	IGT \$1,411,289
2002	0	IGT \$1,755,384
2001	0	IGT \$2,139,504
2000	0	IGT \$2,273,370
<i>SOURCE: Sheree Cross, Administrator, Golden Hill Health Care Center</i>		

Conclusion

Based upon the outdated Medicaid reimbursement system for county homes, the historic low case mix of the residents served and the escalating cost structures, county nursing homes will not be financially viable without significant and increasing county taxpayer support. Unless drastic reimbursement improvements are made, county homes will be forced to rely increasingly on taxpayer subsidies over the next decade.

Reference Material: "County Nursing Facilities in New York State" – Current Status, Challenges and Opportunities – September 2007 – prepared by Center for Government Research (CGR) (*included as Appendix III*).