



## Immediate Action Needed: Skilled Nursing Facility Solvency

### Problem Statement

The severity of the issues impacting the financial viability of skilled nursing facilities have continued to rapidly increase. While there are several medium and long term strategies aimed at transforming nursing facility policy to meet the emerging needs of Coloradans, there is concern about the short term solvency of facilities that primarily serve residents who are on Medicaid.

Pointedly, the impact of the healthcare workforce staffing agencies' rates have driven some higher-risk nursing facility providers to within 60-days of insolvency.

Statewide, pool Certified Nursing Assistant (CNA) costs per patient day are up 632% from 2016 to 2020 and growing, whereas facility-employed CNA costs only increased by 17% in the same period.

Concurrent with the unprecedented staffing agency costs, provider reliance on these agencies is increasing as workers move to these agencies to leverage the higher wages. Over the past two years, the average use of pooled labor has jumped from about 4% to over 20%.

Unlike private industry, Medicaid providers are prohibited from increasing rates to compensate for increasing costs and the cost reporting that informs Medicaid rates is on an 18-month lag, placing providers who primarily serve Medicaid residents at an increasing and untenable financial disadvantage.

### Proposed Solution

The Department requests to add \$7M TF to HCPF's S-20 request. The Department will prioritize the distribution of the \$7M to providers who are serving a high percentage of Medicaid members. The Department is currently conducting this analysis to target these funds most effectively.

### Implementation Plan

***Implementing this solution within 30-60 days will require either an Executive Order by the Governor or it will require the JBC to sponsor a bill with a March 10 to March 20 effective date, enabling monies to reach the nursing facility providers before insolvency.***

Adding to the existing S-20 Supplemental request will give the Department the necessary legislative authority and budget appropriation to pursue a *likely* federal match from the Centers for Medicare and Medicaid.



### **Concurrent Strategies**

This request addresses the immediate term challenge we are facing—60-days to avoid Medicaid-based skilled nursing facility insolvency and the need to find placements for large, high-needs populations—with concurrent strategic pathways to address long term stabilization and transformation are developed and implemented.

**Short Term** defined as February to July 1, 2022, include:

- Implement S-20 (\$20M in supplemental payments across all Medicaid nursing facilities, with an additional \$7M targeted to facilities with high Medicaid populations);
- Collaborate with industry experts to develop and implement Colorado specific sustainability plan.
- Adopt healthcare workforce plan being crafted by Department experts, which will address the significant challenges facing many parts of the healthcare industry, such as hospitals and long-term care providers

**Long Term-** defined as through CY2023 and would include strategic solutions like:

- Implementation of reimbursement and program policy that drives towards smaller, more individualized settings, aimed at serving people with the most complex needs
- Evaluate options to expand into other services that serve LTC patients to diversify revenue streams, ie: personal/home care, day services
- Merger & Acquisition (M&A) activities across the industry to reduce administration as a percent of revenue and to drive efficiencies
- Creation and implementation of a Demonstration of Need that requires specific demographic information and new, more person-centered models, in order to provide to Medicaid members.

