

**Presentation  
To The  
State Commission  
On the Efficacy of  
The CON Program**

**By**

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## **INTRODUCTION AND OVERVIEW**

The Georgia Health Care Association (“GHCA” or the “Association”) has served as the primary advocate for Georgia’s frail and elderly citizens since 1953 and currently represents over 95% of all the licensed skilled nursing facilities in the State. There are currently 372 facilities in the State of Georgia consisting of approximately 40,000 beds. In addition, at least one skilled nursing facility is located in almost every county in the State.

The Association and its members appreciate the opportunity to participate in the certificate of need review process that has been established by the Georgia General Assembly, the Division of Health Planning and the Health Strategies Council. It is important that there be open and thorough review of the regulatory process. In the past, the Department of Community Health (the “Department”) has shown a willingness to make adjustments and changes to meet the needs of the citizens of this State and the organizations that provide health care services.

## **POSITION ON CURRENT RULES AND METHODOLOGIES**

The Association has participated in the development of the current rules and methodologies established by the Department and **WE RECOMMEND NO MAJOR CHANGES AT THIS TIME FOR CON RULES GOVERNING SKILLED NURSING FACILITIES AND OTHER LONG TERM CARE PROVIDERS.** We believe the current process has served its purpose as illustrated by the following points:

- With few exceptions there is an adequate supply of skilled nursing beds across the state. The current average occupancy rate for skilled nursing facilities ranges from 87% to 90%. Only the preferred, high-quality homes have waiting lists and those are by consumer preference, not availability of beds.
- Georgia has embraced the concepts of the New Freedom Initiative and made significant regulatory and other methodology changes to promote home and community based services. As a result of these regulatory and methodology changes by the Department, skilled nursing facilities have actually served more patients per year (55,000), while the overall average occupancy rate has declined. This desired change has been driven by the development of home and community based programs, the SOURCE program, and additional personal care home beds.
- The Department, in conjunction with skilled nursing service providers, recently implemented a new acuity-based payment system for skilled nursing services. The patients that are now admitted to skilled nursing facilities are generally sicker, more frail and have shorter lengths of stay. Changing to an acuity-based system was driven by the desire to reduce unnecessary and inappropriate admissions to skilled nursing facilities. Evidence indicates the regulatory change is having the desired impact on

skilled nursing facilities and other long-term care providers. Accordingly, **WE RECOMMEND NO MAJOR CHANGES AT THIS TIME FOR CON RULES GOVERNING SKILLED NURSING FACILITIES AND OTHER LONG TERM CARE PROVIDERS.**

### **FLEXIBILITY NEEDED IN THE CURRENT SYSTEM**

**Integration:** Skilled nursing facility providers are diversifying their menu of services with many now providing home care, pharmacy and rehabilitation therapy services. In addition, some of the most successful SOURCE community-based providers in the State are operated by organizations that also provide skilled nursing services. This type of integration of a fragmented system is needed to save Medicaid and private health care dollars and provide better service for patients. Georgia skilled nursing service providers are participating in development of the Medicaid Modernization Plan currently being promoted by the Governor's office. Hopefully, the Modernization Plan and its related regulatory changes will make integration of the health care delivery system more achievable.

**Resource Utilization:** Skilled nursing facilities employ over 33,000 employees in the state and often are the sole and largest health care provider in many communities. Given the current local health care delivery system, the skilled nursing service providers are the most logical means to efficiently deliver health services in the local communities. The infrastructure, personnel and knowledge base is already in place. Accordingly, the regulatory process should encourage skilled nursing service providers to participate and partner with other providers to promote movement of patients from various levels of care. GHCA encourages this flexibility in the regulatory process to allow providers to provide the services without interruption of the flow of funding and certification.

**Modernization:** GHCA also believes the Department, through its policies, procedures and regulations should encourage maintenance of skilled nursing facilities. Likewise, to the extent health facilities are utilized by state beneficiaries, Department regulations and payment methodologies should include modernization incentives to encourage replacement of older facilities (some are as much as 40-50 years old). Additionally, GHCA promotes the elimination of 3 and 4-bedroom wards. However, there is a barrier that inhibits skilled nursing facilities from providing private-room accommodations. GHCA advocates modification of rules and regulations to allow skilled nursing facilities the flexibility to modernize physical plants.

**Relocation:** Georgia's population has grown substantially since adoption of the current CON legislation and accompanying rules and regulations. In addition to population shifts, other factors including economic, demographic and health care shifts within the state have affected the access to skilled nursing services in some areas. Accordingly, rules and regulations should also encourage reconstruction and relocation of some beds or facilities across county lines to better serve the community. Further, the three-mile limitation should be eliminated for replacement of facilities. The three-mile limit

prevents relocating skilled nursing facilities to locations more suitable and convenient for the elderly population.

## **FUTURE EXPECTATIONS AND DEMANDS**

**High-Quality Care:** Georgia's skilled nursing service providers recognize the need to continuously improve the quality of services and the quality of the environment that is expected by the public and paid for by Medicaid and Medicare. With that in mind the Association and the Department initiated a joint, state-wide Quality Initiative just two years ago. The goals of the Initiative were to: 1) improve clinical outcomes, 2) improve customer satisfaction, and 3) reduce employee turnover. After 24 months, 100% of all Georgia skilled nursing facilities are participating in the Initiative. All skilled nursing service providers pledged a commitment to quality improvement. Clinical data is collected from all skilled nursing facility providers each month. The clinical data is compiled and a monthly scorecard is produced each month for every facility. The results of the Initiative have been outstanding and Georgia is recognized as the only state in the nation with such a cooperative effort to improve quality care for its skilled nursing facility residents. The AARP, the Ombudsman, the Alzheimer's Association and many others have supported the Quality Initiative. Clinical data indicates that clinical outcomes have improved. Independent surveys indicate over 85% of all families are satisfied with the care delivered in skilled nursing facilities and would recommend the facility to others. The Association supports continued collaborative efforts and flexibility in regulations to meet the public's expectation of high-quality care.

**Bed Need:** In the future, as the population of Georgia grows and grows older, demographic data indicates that Georgia will need more skilled nursing facility beds. A recent newspaper article explained that 33% more beds will be needed in Veterans Administration facilities just to accommodate the needs of veterans. This figure is also indicative of the general population, especially considering that the over age 85 population is the fastest growing segment of the population and are most likely to need skilled nursing care. Under the current CON rules and regulations, care alternatives are developing in Georgia to meet the current market needs. Accordingly, it is not likely more beds will be needed in the near future. At the present time, and for the foreseeable future, skilled nursing facility beds are available throughout the state.

**Staffing:** The shortage of trained medical personnel is a well-documented concern. The cost of labor, benefits and other payroll related issues continue to rise. Georgia's public and private education system is moving to address the future needs of the medical community, including skilled nursing service providers. As indicated in the discussion of Resource Utilization, given the current local health care delivery system, the skilled nursing service providers are the most logical means to efficiently deliver health services in the local communities. Currently, there is a documented need to recruit 1,500 to 2,000 more nurses (LPN or RN) and 2,000 certified nursing assistants to meet current staffing needs of skilled nursing facilities.

**Payment for skilled nursing care:** GHCA recognizes that the public is demanding: 1) better accommodations 2) additional staff 3) more highly-trained staff to care for higher-acuity patients, and 4) better technology and infrastructure in the physical buildings. Given these expectations and demands, GHCA encourages the Commission, the Legislature and various regulatory agencies to provide rules and regulations that encourage private sector investment to replace, modernize and improve the aging skilled nursing facilities in the state. It is not possible under the current payment system. With the help of the federal match and an improved property payment system similar to other states, Georgia can create jobs, improve local economies and improve services for the patients who need our essential services. We ask the Commission to explore those possibilities further.

## **SUSTAINABLE RESOURCES**

**Diversion of Funds:** Adequate resources are required to keep skilled nursing service providers in operation and delivering care and services. Budget cutbacks have impacted skilled nursing facilities over \$300 million in the past three years and more significant reductions have been imposed for the current year. Skilled nursing service providers actually agreed and helped pass a "provider fee", legislation that requires skilled nursing facilities to pay \$9.00 per patient per day in fees. Skilled nursing facilities pay a total of \$100 million in provider fees to the State of Georgia each year which is used to generate \$160 million in additional federal matching funds for Medicaid. Unfortunately, the additional federal funds have not been utilized to pay for skilled nursing services. Accordingly, none of the additional federal funds were used to modernize skilled nursing facilities, provide and pay for staff or meet the public's demand to provide high-quality services.

**Economic environment:** In the past 5 years, at least 75 skilled nursing facilities in Georgia have filed for bankruptcy protection and reorganization (20% of all skilled nursing facilities in the state). Presently, most of the bankrupt facilities have come out of bankruptcy and many have changed operators and owners. Unfortunately, the skilled nursing industry remains grossly undercapitalized and under funded while attempting to meet a rapidly changing market.

**Economic Impact:** Total skilled nursing facility expenditures amount to approximately \$1 billion dollars annually with approximately 1/3<sup>rd</sup> coming from Medicaid state funds. The economic impact of these payments in local communities is projected to be \$5 billion for the State. The cost containment payment system in Georgia has worked for over 20 years to reduce payment rates and the average payment to skilled nursing facilities in the state is approximately \$105 per patient per day. Presently, skilled nursing facilities are being paid based on operating costs that were incurred in 2001 and 2002. At \$105 per patient per day, Georgia is one of the most efficiently operated skilled nursing facility programs in the nation. Georgia's overall expenditures for skilled nursing care ranks in the bottom 5 in the nation.

## **CONCLUSIONS AND RECOMMENDATIONS**

**Conclusion:** GHCA recognizes Medicaid expenditures are growing and believes its member facilities have taken extraordinary steps to provide funding (example – provider fee). Further, skilled nursing facility providers have demonstrated: 1) a commitment to quality, 2) the ability to develop health care facilities and services in an orderly, economic and efficient manner, 3) the ability to discern new health service needs, and 4) the ability to address the needs in a manner that avoids unnecessary duplication of service, that is cost effective, and that is compatible with the health care needs of the various areas and populations of the state.

**Recommendation:** The Georgia Health Care Association respectfully recommends **NO MAJOR CHANGES AT THIS TIME FOR CON RULES GOVERNING SKILLED NURSING FACILITIES AND OTHER LONG TERM CARE PROVIDERS.**

Thank you for this opportunity and I will be happy to answer any questions.