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**Testimony of Scott C. Amrhein, President
Continuing Care Leadership Coalition
Before the New York State Division of Budget's
Brooklyn Town Hall Budget Hearing**

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Good afternoon. My name is Scott Amrhein, and I am president of the Continuing Care Leadership Coalition (CCLC). CCLC is an affiliate of the Greater New York Hospital Association representing over 100 not-for-profit and public long term care providers in the New York metropolitan area and beyond.

Building on almost two decades of work at GNYHA in the realm of long term care policy and advocacy, CCLC was formed in October 2003 to create a forum where the collective knowledge, experience, and vision of our members could be brought to bear in shaping positive changes in the delivery and design of long term care for the people of New York.

State Budget Decisions Affecting Long Term Care Should Reflect Three Fundamental Facts

Fact One: New York needs a strong, stable long term care system to meet the needs of our State's rapidly growing senior population.

According to the U.S. Census Bureau, New York, like many states, is in for an explosion in the number of older citizens, leading to huge new demands on our long term care system. Here are the Census projections for 2000-2030¹:

¹ U.S. Census Bureau, Population Division, Interim State Population Projections, 2005

- Over this 30 year period, the over-65 population in New York State is projected to grow by 60% - from 2.5 million to 3.9 million - an increase of 1.5 million New Yorkers over the age of 65.
- Over the same period, the population most likely to require long term care services, those over age 85, is projected to double - growing from 311,000 to 621,000 - an increase of 310,000 New Yorkers over the age of 85.

Consistent with the Census Bureau's projections, the U.S. Department of Health and Human Services estimates that by 2050 the number of individuals nationwide using either nursing facilities, home care services, or alternative residential care services is expected to nearly double, increasing from 15 million in 2000 to 27 million in 2050,² as the baby boom generation ages.

Fact Two: New Yorkers are looking for more - not fewer - long term care options to meet their needs.

According to a 2007 AARP study of New Yorkers over the age of 50:

- Nearly 80% of New Yorkers over age 50 want to remain in their homes with support if they need long term care services
- 88% of New Yorkers support increased investments in Home and community based services

For those who do require nursing home care, seniors are rightly looking for more choice and control in the nursing home environment. Specifically, they value competent care, privacy (and where possible the availability of private

² U.S. Dept. of Health & Human Services and U.S. Department of Labor, *The Future Supply of Long Term Care Workers in Relation to the Baby Boom Generation: Report to Congress* (Washington, DC: Office of the Assistant Secretary of Planning and Evaluation, May 14, 2003).

accommodations), and self-determination when it comes to their daily activities and routines³.

Fact Three: Better Caregivers = Better Care. It is impossible to have quality long term care in our State without making the necessary investment to ensure we have enough well-trained, qualified, direct care workers to meet the long term care needs of our citizens.

- Long term care is all about hands-on care: people taking care of people. In a typical nursing home, 70-80 percent of the costs are for personnel and direct care staff. For a typical home health agency, the percentages are even higher.
- Research has consistently shown that no factor has a bigger impact on quality of care for people receiving long term care services than the stability, quality, and availability of the care-giving workforce.
- As a consequence, making an investment in the workforce is the best thing we can do to enhance long term care quality and, conversely, if we cut payments to long term care providers, it translates directly into fewer workers, and that leads directly to poorer quality care.

The Value of Investing in our Long Term Care System

New York has a mixed record of investing in its long term care infrastructure.

On one hand, New York has led the nation in doing many of the things that we now all agree are vital to building a successful long term care system. For example:

³ Kane, RL, and Kane, RA, What Older People Want from Long Term Care, And How They Can Get It, Health Affairs, November/December 2001.

- We have a strong history of commitment to home and community based services, borne out by the fact that we rank 5th nationally in the number of Medicaid beneficiaries who are receiving home and community based services per 1000 population.
- We have been a leader in the development of managed long term care options for seniors. New York's 17 operating managed long term care plans currently enroll more than 22,000 New Yorkers. These plans not only save the State money by preventing unneeded hospitalizations and nursing home admissions; they are also rated exceptionally highly by enrollees for delivering quality services on a timely basis.
- We have begun the process of fundamentally restructuring our long term care system. Over the next several years - as a result not only of the Berger Commission, but due also to the State's Nursing Home Rightsizing Program and the voluntary efforts of many independent providers - we can expect to see a reduction in the number of inpatient skilled nursing facility capacity in New York State of more than 5,000 beds. In addition to helping to rebalance our care infrastructure to emphasize the importance of home and community based care options, these projected changes will conservatively save the State hundreds of millions in reduced Medicaid spending over time.

Despite these accomplishments, New York has consistently failed to protect our long term care system from annual cutbacks that have dangerously undermined the financial stability of the long term care provider community. Over the past ten years, the cumulative effect of efforts to achieve budget savings on the backs of long term care providers has been a reduction in payment levels of more than \$1.5 billion. As a consequence, well over 50% of nursing homes in New York State are losing money every year. And as the financial position of long term care sector has become more tenuous, we have seen a dramatic spike in the

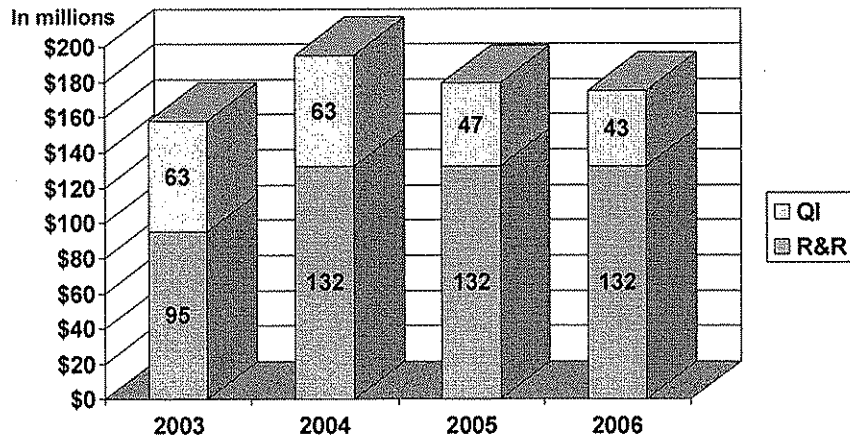
number of nursing home closures - more than two dozen in the last two to three years alone.

Where we have invested in our long term care system, however, it has had a tremendous benefit.

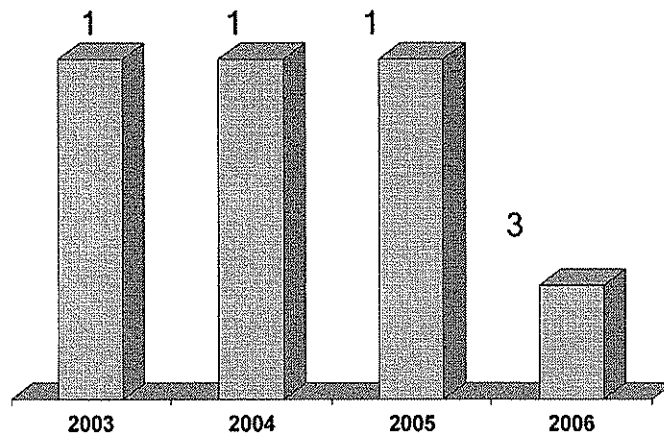
Between 2003 and 2006, New York made an explicit decision to increase its investment in workforce and quality initiatives designed to improve care for those in need of long term care services. In the nursing home sector specifically, the State initiated two programs - the Nursing Home Recruitment and Retention Program and the Nursing Home Quality Improvement Program - with funding that averaged roughly \$160 million annually over the five year period. This funding was explicitly intended to support workforce recruitment and retention strategies, staff training initiatives, and other facility level initiatives to enhance quality in nursing homes.

By all evidence, the State's investment was rewarded with extraordinarily strong results. Over the entire period, New York's nursing homes dramatically outperformed facilities across the U.S. on the standardized measures developed by the federal government to compare nursing home quality. In total there are 15 measures, of which 5 have remained constant in the way that they are calculated since 2003. When compared to the rest of the U.S. using the five constant measures, New York's nursing homes ranked first in quality among the 50 States from 2003-2005. When compared using all 15 measures, New York's nursing homes consistently placed sixth or above in quality among all 50 states. Notably, as the tables below illustrate, New York's position fell slightly, to 3rd, on the five constant measures in 2006, just as the total dollars available for workforce and quality investments began to decline.

Nursing Home Recruitment & Retention (R&R) and QI Funding, 2003 - 2006



New York State's National Rank on 5 Quality Measures* (2003 – 2006)



*Composite of five measures that have not changed since nursing home quality measures were introduced in 2002. Rankings determined based on performance as of the fourth quarter of the year.

CCLC is deeply concerned that, as a result of provisions in the budget adopted for the current State Fiscal Year that will phase out of all nursing home quality and workforce funds by 2009, it will become increasingly difficult to maintain the quality advantage that our long term care providers, in partnership with the State, have worked so hard to achieve.

Recommendations

Decisions that are made in this budget cycle will be critical in determining whether the future of our long term care system will be one that continues to build on a foundation of innovation and quality, or one that sees our system falter and fall behind. CCLC strongly urges the Division of Budget to put the interest of patients first when developing its Medicaid recommendations for the upcoming State fiscal year. To this end, we urge that you keep two goals paramount when developing your budget proposals.

1. Above all, do nothing to further destabilize New York's already financially fragile nursing homes and home health agencies. Specifically we recommend the following:
 - a. Emphasize long term reforms over short term cuts. Initiatives such as nursing home rightsizing and the expansion of managed long term care will pay dividends in the form of State budget savings that will increase and be sustained over many years. Short term cuts, on the other hand, have no significant lasting impact other than the damage that they inflict on care-giving organizations, workers, and the patients they serve.
 - b. Maintain funding stability for providers and care continuity for patients as we improve and update our long term care reimbursement systems. Very specifically, this budget should not do anything to undermine the legislature's clear intent to protect nursing homes from incurring losses as a new reimbursement methodology is put in place based on a 2002 base year. In the same spirit, this budget should not deny nursing home and home health providers a reasonable inflation adjustment, nor should it undo policies that are integral to both the current and the new

nursing home reimbursement systems that adjust Medicaid rates to reflect the higher costs incurred by large and hospital-based nursing facilities.

2. Restore the State's commitment to proactively *investing* in long term care quality. The funding initiatives that helped New York reach the leading ranks in long term care quality will dwindle to zero before the next fiscal year is over, unless the Governor's budget renews this investment and the commitment to patients that it represents. CCLC strongly urges the Division to allocate continued funding for this purpose. We specifically urge that the Home Care Recruitment and Retention program be continued in SFY 2008-2009 at the current level of \$100 million per year. We further recommend that the Nursing Home Recruitment and Retention program be restored to full funding levels, and that funding allocated for pay-for-performance incentive payments be increased to meaningfully reward providers that excel in the areas of care processes, care outcomes, and patient satisfaction.

I thank you for the opportunity to present this testimony, and I would be delighted to answer any questions that you may have.