

Medicaid Oversight Committee

July 18, 2018



Kentucky Association of Health Care Facilities
Kentucky Center for Assisted Living

Who does KAHCF/KCAL represent?

Established in 1954, the Kentucky Association of Health Care Facilities (KAHCF) is the primary Association that represents propriety and nonproprietary Nursing Facility (NF) providers, Personal Care Homes and as of July 1, 2018, Assisted Living Communities across Kentucky. KAHCF/KCAL provides a wide variety of services to member facilities including legislative, regulatory, professional development, statewide recognitions programs, media relations, research and advocacy initiatives.



NF Providers In Kentucky

- ▶ There are 281 Nursing Facility providers currently servicing almost 31,000 residents
- ▶ Nursing Facility providers in Kentucky are responsible for generating almost 42,000 direct jobs statewide
- ▶ There is at least one nursing facility located in all 120 Counties
- ▶ Medicaid accounts for 56% of Nursing Facility revenue and 69% of Nursing Facility residents

Economic Impact of NFs in KY

In addition to the number of Nursing Facility providers in the state and the patients they care for, they also have an enormous impact on the state as a whole. On the following slide, the economic impact of Nursing Facility providers in the state is shown. The impact is shown in terms of jobs, income, economic activity and tax revenue contributed to the state.

Economic Impact of Long Term Care Facilities Kentucky

May 2018

**Long Term Care (LTC) facilities* support an estimated
\$5.04 Billion of the state's economic activity**

Jobs

Direct	Indirect and Induced	Total
41,831	15,029	56,860

Labor Income

Direct	Indirect and Induced	Total
\$1.42 Billion	\$635 Million	\$2.06 Billion

Economic Activity

Direct	Indirect and Induced	Total
\$2.99 Billion	\$2.06 Billion	\$5.04 Billion

Tax Revenue

State/Local	Federal	Total
\$260 Million	\$407 Million	\$667 Million

Source: American Health Care Association

Evolving NF Services

- ▶ The long-term care profession provides more services than the traditional nursing home of the past
- ▶ Kentucky has one of the highest levels of acuity in the long-term care setting in the U.S.
- ▶ Kentucky ranks behind only Louisiana and Mississippi as the state with the most challenges for seniors*
- ▶ Kentucky has a low % of nursing home residents who are “low-care” residents (42 states rank above KY)
- ▶ Only West Virginia has fewer “able-bodied” adults 65 & older*

Costs of Providing NF Services

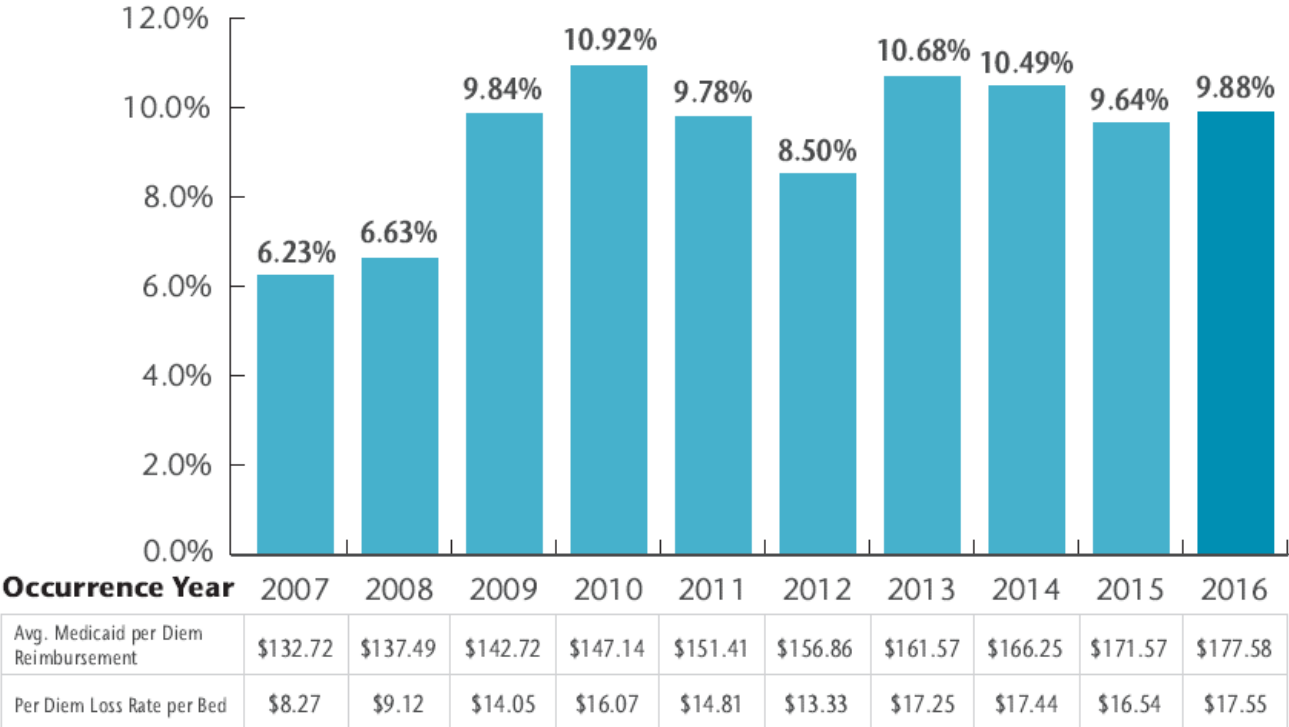
- ▶ Kentucky NF providers have faced unprecedented general & professional liability costs in the recent past due to predatory trial attorney practices
- ▶ Obtaining a qualified workforce has gotten more difficult with the current low unemployment rates and competition in other health care fields have driven up wages significantly
- ▶ At the same time, Nursing Facility acuity in Kentucky remains high. Our providers care for the most fragile seniors.

General & Professional Liability

- ▶ The “Loss Rate”, defined as the amount per occupied bed required to settle, defend or litigate claims within a year has shown a tremendous increase over the past 10 years
- ▶ These costs, absorbed by NFs, take away dollars that could otherwise be used for patient care
- ▶ A 2018 Association survey showed a whopping 47.5% year-over-year increase in liability insurance costs

General & Professional Liability Costs

Loss Rate as a Percentage of Medicaid Reimbursement Limited to \$1M Per Occurrence



Source: 2017 Aon Long-term Care Benchmarking Report



General & Professional Liability Costs

Association General & Professional Liability Survey - April 2018					
	Curr Year	Prior Year		Curr Year	Curr Year
Facility	Cost/Bed	Cost/Bed	% Incr	Annual Cost	Deductible
Facility 1	\$ 789	\$ 596	32.4%	\$ 90,000	\$ 2,500
Facility 2	\$ 2,394	\$ 2,176	10.0%	\$ 258,500	\$ 100,000
Facility 3	\$ 1,765	\$ 1,605	10.0%	\$ 429,000	\$ 50,000
Facility 4	\$ 2,356	\$ 1,431	64.7%	\$ 155,510	\$ 100,000
Facility 5	\$ 1,054	\$ 546	93.0%	\$ 63,252	\$ 25,000
Facility 6	\$ 1,881	\$ 1,699	10.7%	\$ 101,550	\$ 6,000
Facility 7	\$ 746	\$ 596	25.0%	\$ 85,000	\$ 2,500
Facility 8	\$ 1,500	\$ 447	235.6%	\$ 162,000	\$ 25,000
Facility 9	\$ 1,142	\$ 506	125.8%	\$ 99,355	\$ 10,000
Facility 10	\$ 424	\$ 350	21.2%	\$ 58,540	\$ 25,000
Facility 11	\$ 753	\$ 545	38.2%	\$ 82,803	\$ 2,500
Facility 12	\$ 1,013	\$ 862	17.6%	\$ 93,238	\$ -
Facility 13	\$ 3,630	\$ 2,384	52.3%	\$ 265,000	\$ 25,000
Facility 14	\$ 4,587	\$ 2,189	109.6%	\$ 577,959	\$ 50,000
TOTALS	\$ 1,689	\$ 1,145	47.5%		

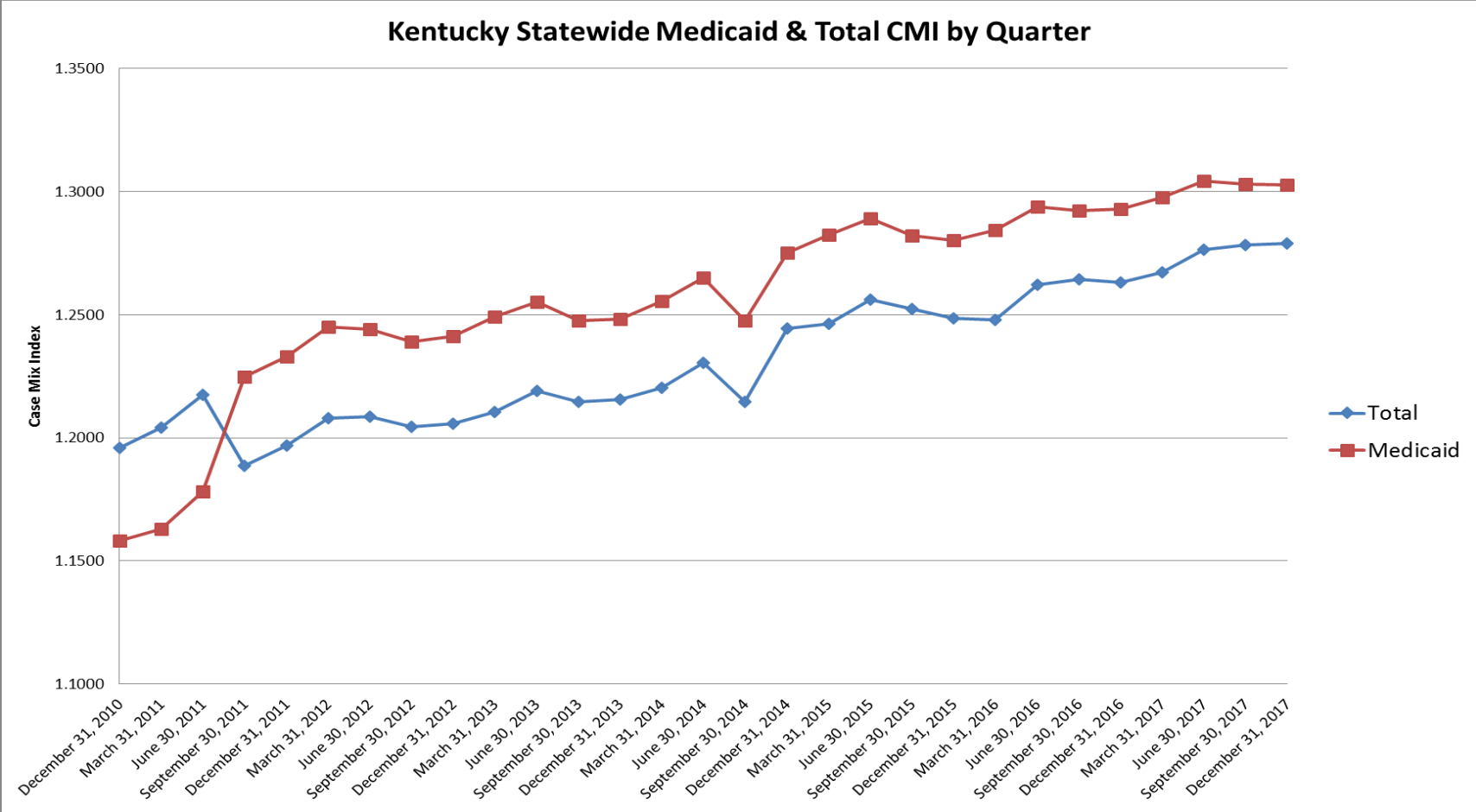
Source: 2018 KAHCF/KCAL Liability Survey



Maintaining a Qualified Workforce

- ▶ Kentucky's long-term caregivers are a special people
- ▶ Statewide RN, LPN and Nurse Aide NF wage costs have steadily increased over the past 10 years*
 - ▶ RN - 22.5%
 - ▶ LPN - 26.2%
 - ▶ Aide - 22.0%
- ▶ Meanwhile, Medicaid inflationary increases have not kept pace with these and other staff increases

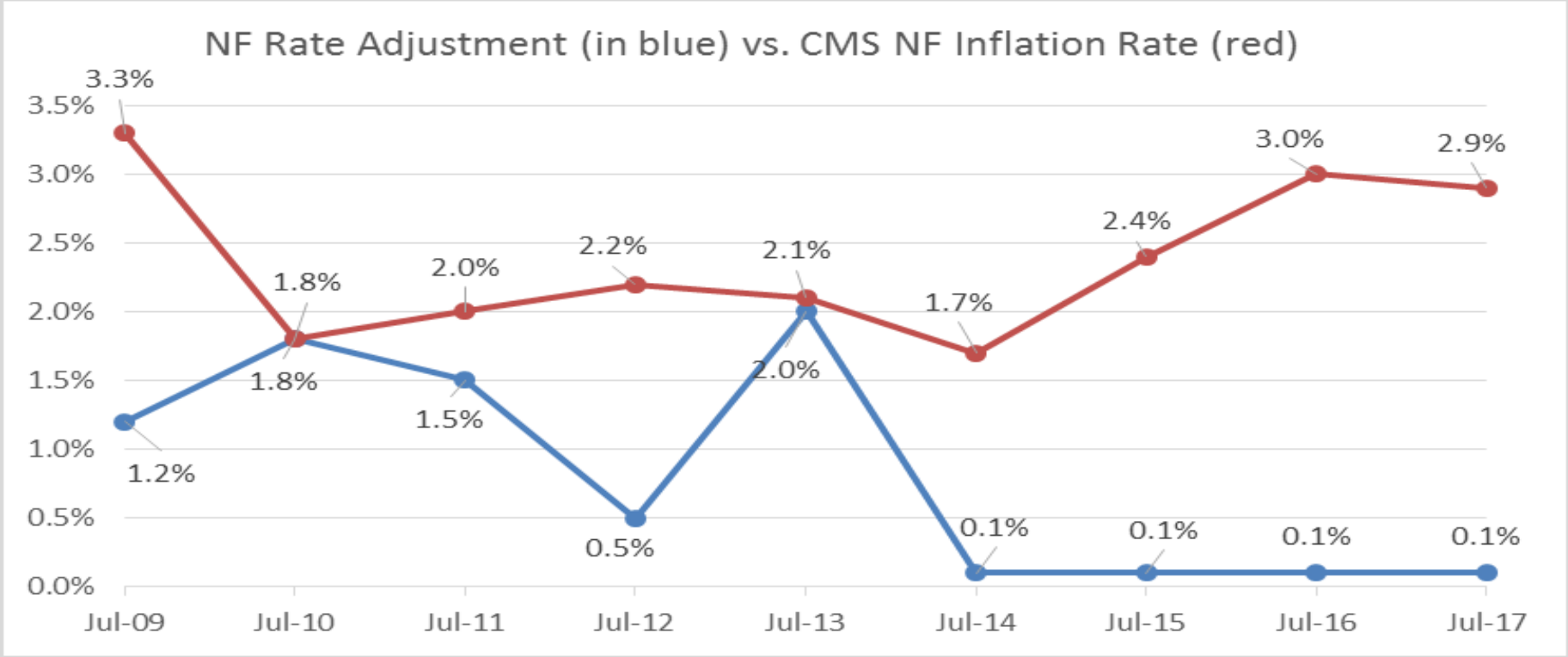
Rising Average NF Acuity



NF Price-Based Reimbursement System

- ▶ Long-term care facilities are reimbursed by Kentucky's Medicaid Program through a "price-based system"
- ▶ The urban and rural "price" (urban & rural designations are determined by Core Based Statistical Areas) are adjusted quarterly for acuity and annually by an inflationary adjustment determined by the DMS
- ▶ The "price-based system" allows the State to accurately predict nursing facility costs

NF Inflationary Adjustments



KAHCF Provider Tax Proposal

- ▶ Nursing providers have been paid one-tenth of one percent (.1%) inflation for the past four (4) years
- ▶ As a result, the Kentucky Association of Health Care Facilities (KAHCF) proposed a provider tax increase to fund an inflationary adjustment that was shared with the Department for Medicaid Services
- ▶ The proposal assumed that the entire tax increase and federal match are used to pay for the proposed inflationary increase and reimburse the Medicaid share of the tax

KAHCF Provider Tax Proposal

- ▶ The annual impact of the provider tax proposal would have increased taxes by \$.93 per non-Medicare day, providing a total of \$6.5 million in taxes
- ▶ However, we were not successful in our efforts to increase the provider tax, and are currently awaiting the Department for Medicaid Services' decision on an inflationary increase for fiscal year 2019
- ▶ The Association and providers have always tried to offer solutions to problems presented to the profession. Our current cost and reimbursement environment is getting critical - we need your help to meet the care needs of those in Kentucky's nursing facilities

Questions?