

Medicaid Oversight Committee

July 8, 2019



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 and Personal Care Homes and 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.



Who does KAHCF/KCAL represent?

- KAHCF/KCAL represents 235 NFs, 27 PC and 15 AL providers in Kentucky
 - KAHCF/KCAL represents 80% of all skilled nursing facilities in Kentucky
 - 23,097 Nursing Facility Beds
 - 2,336 Personal Care Beds
 - 799 Assisted Living Units
 - 92 Vendor Members (provide service to our facility members)
- 31,000 residents throughout the Commonwealth
- 57,470 direct and indirect jobs statewide
- At least 1 nursing facility in all 120 counties in Kentucky
- Almost 70% of residents in skilled nursing facilities are Medicaid recipients



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 2019

**Long Term Care (LTC) facilities* support an estimated
\$5.13 Billion of the state's economic activity**

Jobs

Direct	Indirect and Induced	Total
42,426	15,044	57,470

Labor Income

Direct	Indirect and Induced	Total
\$1.47 Billion	\$648 Million	\$2.12 Billion

Economic Activity

Direct	Indirect and Induced	Total
\$3.03 Billion	\$2.10 Billion	\$5.13 Billion

Tax Revenue

State/Local	Federal	Total
\$265 Million	\$418 Million	\$683 Million

Source: American Health Care Association

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 & the litigation environment in Kentucky
- ▶ 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.

Litigation Environment

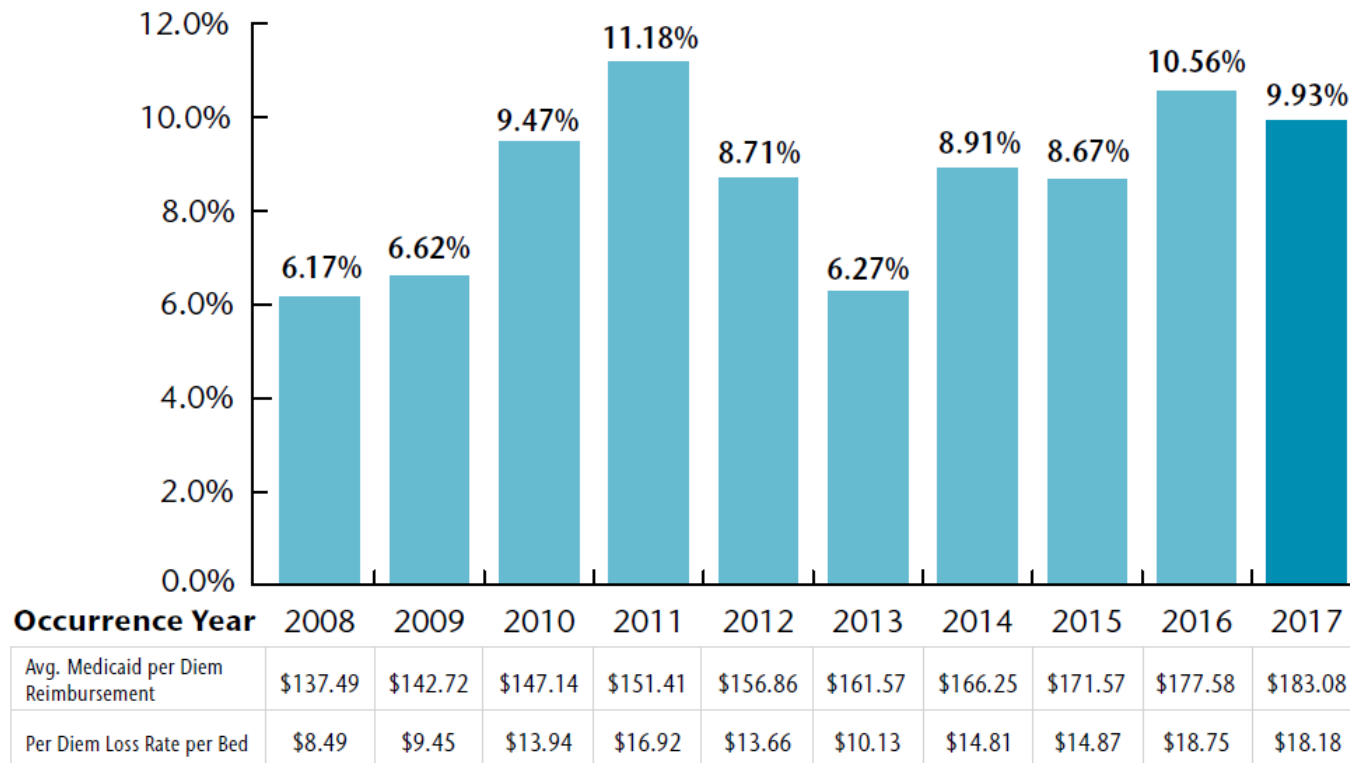
- ▶ 2018 AON Report highlights Kentucky as one of the worst States in need of medical malpractice reform
- ▶ KACHF/KCAL successfully passed “medical review panel” legislation in 2016 - only to be struck down by the Kentucky Supreme Court as unconstitutional
- ▶ Kentucky is lagging behind contiguous states when it comes to tort reform

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
- ▶ Liability Insurance premiums have seen a dramatic increase over the past few years for our members
- ▶ These costs, absorbed by NFs, take away dollars that could otherwise be used for patient care

General & Professional Liability Costs

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



Source: 2018 Aon Long-term Care Benchmarking Report

Kentucky's Workforce

- ▶ By 2030 over 990,000 Kentuckians will be over the age of 65
- ▶ Between 2010 and 2030 Kentucky's population over 65 will increase by 72%
- ▶ Bureau of Labor statistics predicts an 11% job growth rate for CNA's over the next 10 years nationally
- ▶ By 2024, Kentucky will need an additional 16,047 full-time RN's - a 36% increase (2014)

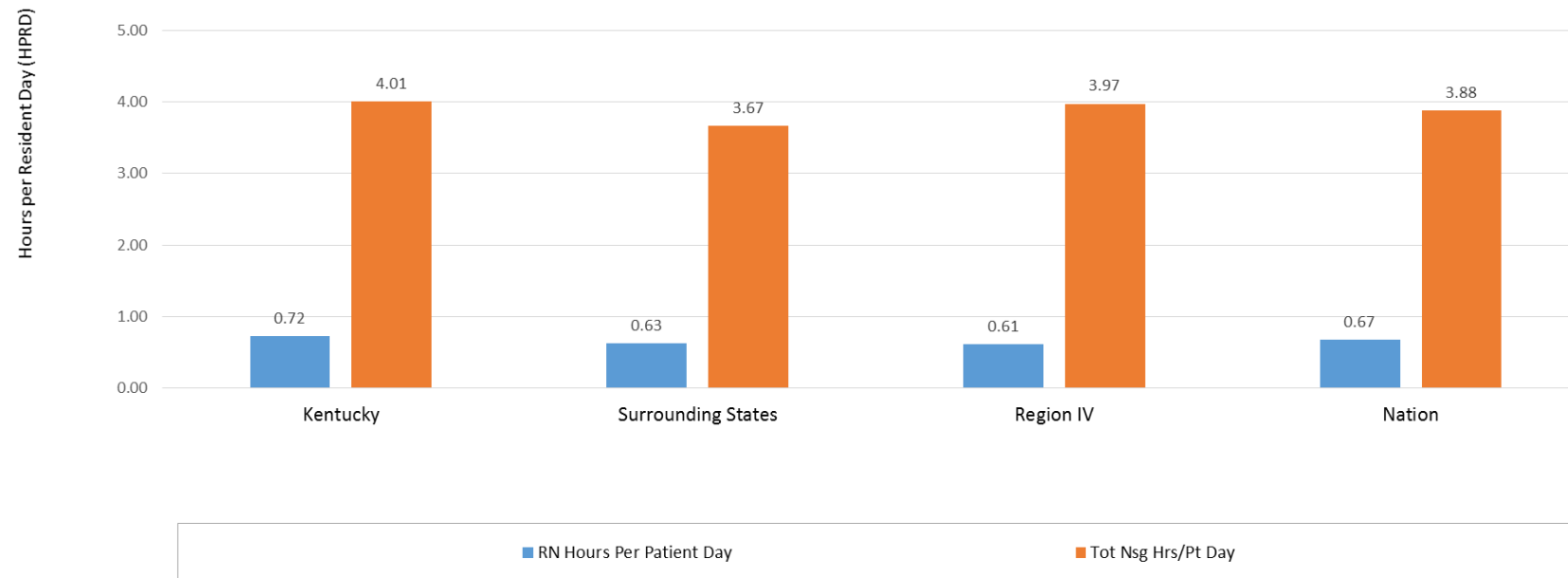
Source: Bureau of Labor Statistics & newamericamedia.org

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 - 18.7%
 - ▶ LPN - 24.3%
 - ▶ Aide - 21.2%
- ▶ Although providers received a full inflationary increase this year, Medicaid increases have not kept pace with these and other staff increases
- ▶ Regardless, providers have staffed at levels higher than surrounding states, CMS Region IV & the nation as shown on the following graph

Staffing Hours per Patient Day

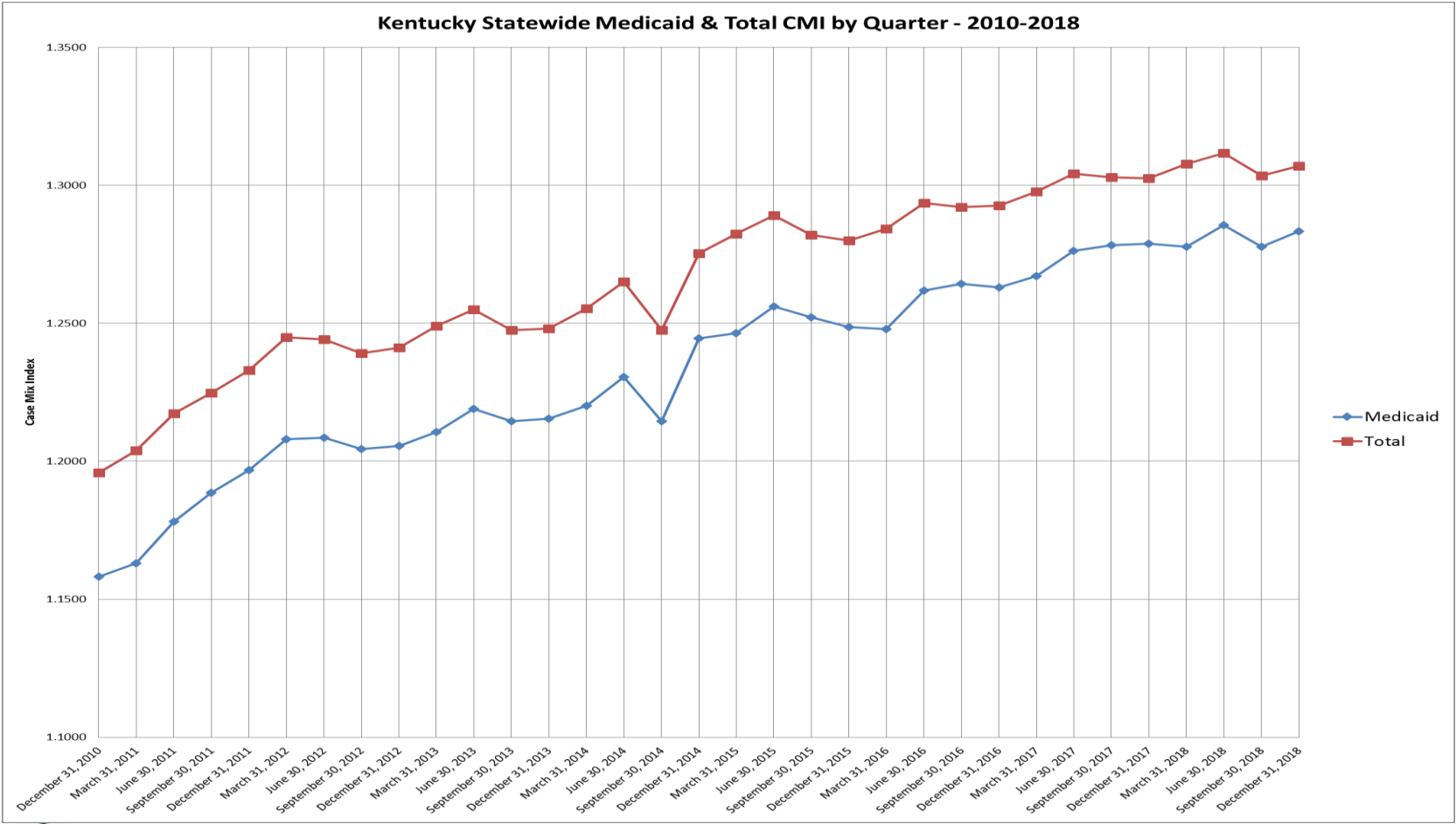
Average Facility Staffing Hours/Patient Day - Mar 2019



Surround States: OH, WV, VA, TN, MO, IL, IN
CMS Region IV: AL, FL, GA, KY, MS, NC, SC, TN

Source: March 2019 Nursing Home Compare

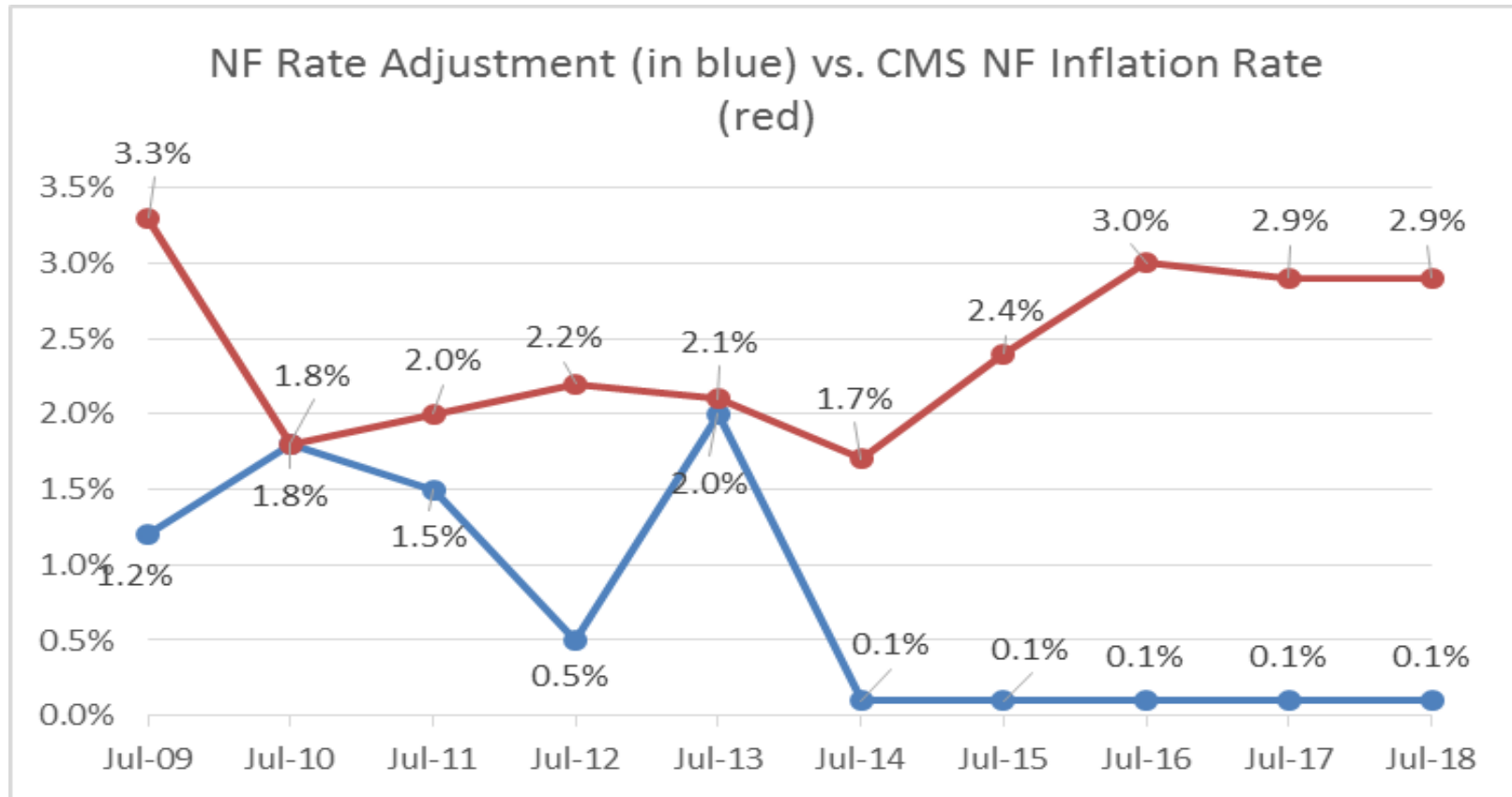
Rising Average NF Acuity



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

- ▶ Although the Department for Medicaid Services will increase provider rates by the full inflationary increase effective July 1, 2019, providers have been paid only one-tenth of one percent (.1%) inflation for the past five (5) years. This has resulted in a net \$112.5 million shortfall
- ▶ Due to the inflationary rates paid over the past five (5) years, last year the Kentucky Association of Health Care Facilities (KAHCF) proposed a provider tax increase to fund an inflationary increase. Last year's proposal would have increased taxes by \$.93 per non-Medicare day, providing a net of \$17.8 million in revenue to Nursing Facility providers
- ▶ The proposal assumed that the entire tax increase and federal match would be used to pay for an inflationary increase and reimburse the Medicaid share of the tax

KAHCF Provider Tax Proposal

- ▶ The Association and providers have always tried to offer solutions to problems presented to the profession. Our current cost and reimbursement environment is still critical - we need your help to meet the care needs of those in Kentucky's nursing facilities
- ▶ We will ask the Department for Medicaid Services to continue to work with us to increase the provider tax beginning in July 2020

Questions?