

Nursing Homes Position Statement

Problem Statement

Both hospitals and nursing home facilities provide medical services; hospitals focus on short-term care and nursing care facilities focus on long-term care. Some nursing home facilities are not-for-profit, but most in the metro Detroit area are privately owned for-profit organizations. Revenue options between not-for-profit and for-profit organizations differ greatly. Hospitals as not-for profit organizations are able to obtain revenue from multiple sources including grants, endowments and other private funds and donations, while for-profit nursing homes are limited to Medicaid reimbursement and private-pay clients.

Most nursing homes located in the metro Detroit area are for profit and Medicaid only or Medicaid dependent facilities. These facilities are faced with a number of challenges related to maintaining cost-effective operations and the ability to make capital improvements required to keep facilities in compliance with Medicaid standards.

Medicaid's reimbursement policies are outdated and do not sufficiently cover expenses incurred by these facilities. Medicaid reimbursement rates are set annually based on cost reporting of prior year's costs and can take as long as two years to commence. Due to limited financial resources, many metro Detroit area nursing homes are required to operate at a loss and often out of compliance with Medicaid standards.

Industry Background

Many years ago, nursing homes catered to a very specific group of individuals who were poor or did not have family willing or available to care for them. In more recent years, the Nursing home facility infrastructure changed greatly with 2 major factors, (1) development of the Medicare program and (2) an influx of new patients from State Mental Hospitals which were closed down.

Nursing homes have similar concerns as hospitals, but with a focus on long-term care services. Their residents include frail elderly, and other much younger adults with physical and mental disabilities or chronic illnesses. Residents require constant nursing care for various medical needs and encounter significant deficiencies in normal daily activities.

Most of the resident's in urban nursing homes are Medicaid program participants, with very few private pay residents. Most metro Detroit area nursing homes fall within this category. They are for-profit businesses with a disproportionate number of Medicaid residents, causing a high reliance on Medicaid reimbursement. Evidence shows that Medicaid reimbursement is insufficient to cover expenses required to provide effective service in a safe and healthy environment which meets the standards set by their own program.

Challenges

Nursing home facilities in Detroit are faced with a number of challenges related to operating effectively and the ability to provide care in accordance with Medicaid program standards. Some of those challenges include the following:

- Lenders are less willing to finance urban nursing homes;
- Interest rates in Detroit, for nursing homes, are generally higher than market rates;
- Many of the older nursing homes require significant renovations to meet Medicaid program requirements. Urban nursing homes experience significant challenges in their ability to obtain financing to undertake capital improvement projects to sustain regular and necessary maintenance of the buildings or medial equipment;
- There are certain unfavorable limitations in the Medicaid regulations for replacement of existing assets and total facility replacement, which deters owners from investing;
- Medicaid reimbursement rates are set annually based on expense reports to the state each year, leaving no room for unanticipated expenses;
- Reimbursement increases can take as long as 2 years to take effect;
- Receivables collection is a problem due to delays in establishing Medicaid eligibility and non-payment by patients of their co-pays.

Recommendations

Revenue deficiency is causing many metro Detroit area nursing homes to operate at a loss, change management or go out of business. Other issues within nursing homes include high staff turnover, aging facilities, inferior equipment and a rapid number of nursing home closures. It is critical that a resolution is identified and implemented to preserve these facilities within the Detroit area.

The formation of a non profit nursing home advocacy group could serve as a conduit of funds to aid for profit nursing homes throughout the State of Michigan in completing necessary capital projects, and other areas of need.

Potential opportunities for an advocacy group could include:

- Assistance in negotiations with lenders to secure short-term financing for working capital;
- The advocacy group could work with various State of Michigan agencies to identify potential grants and low interest loan options for necessary capital expenditure projects.