CITY OF LODI

COUNCIL COMMUNICATION

AGENDA TITLE: **Resolution in Support of increased level of Medi-Cal Funding for long-term care facilities**

MEETING DATE: **April 5, 2000**

SUBMITTED BY: **City Manager**

RECOMMENDED ACTION: The Council adopt Resolution 2000-51 supporting an increased level of Medi-Cal funding for long-term care facilities.

BACKGROUND INFORMATION: Mayor Pro Tempore Nakanishi requested that Council consider adoption of a resolution supporting an increased level of Medi-Cal funding for long-term care facilities. The request was prompted by a letter from Vienna Convalescent Hospital, Inc., located in Lodi, describing their concern for citizens residing in nursing homes who are currently funded through the Medi-Cal system. Presently, 64 percent of California's nursing facility residents rely solely on Medi-Cal to pay for their care in a skilled nursing facility.

Governor Gray Davis recently vetoed a bill which addressed comprehensive nursing reforms and which included funds to raise the wages of nurse's aides who care for the residents of long-term health care facilities. California currently ranks fourth from the bottom among all states in what it pays for subsidized nursing care.

Attached for Council's review is the letter from Vienna Convalescent Hospital, Inc. with accompanying background information on the nursing facilities crisis.

Funding: Not applicable

Respectfully Submitted,

H. Dixon Flynn
City Manager

Attachments

cc: Cory Wright, Vienna Convalescent Hospital, Inc.

APPROVED: ______________________________

H. Dixon Flynn -- City Manager

VIENNA
CONVALESCENT HOSPITAL, INC.

800 South Ham Lane • Lodi, California 95242 • (209) 368-7141

March 17, 2000

Alan Nakanishi, M.D.
1136 Junewood Court
Lodi, CA 95242

Dear Dr. Nakanishi,

Thank you for your consideration in placing a long term care resolution on the City Council agenda. The California Legislature and the Davis Administration need to know that not only are they neglecting the state as a whole when it comes to nursing home operations but to individual cities as well.

There are eight licensed skilled nursing facilities in our town with over 800 beds. There are well over 800 citizens employed in these facilities. Statistically speaking, two-thirds of the citizens residing in a nursing home setting are being funded through the medi-cal system.

I have included for your review various newspaper articles, wage comparison data, human resource needs, statistics on facilities going bankrupt and a sample resolution. A similar resolution was passed by the Los Angeles County Board of Supervisors on March 7, 2000.

I have contacted Phillip Pennino with the hope that he will work with you on this proposal.

If I can assist you in any way or if you have any questions, please give me a call.

Thank you for your time and energy.

Very Truly Yours,

Corey Wright

California Nursing Facilities

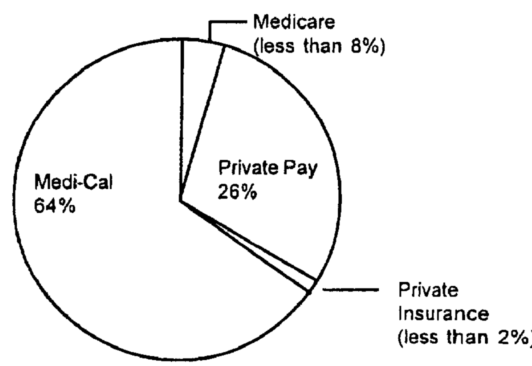
CALIFORNIA FACILITIES

- There are approximately 1,440 licensed long-term care nursing facilities in California.
- In 1997, the average nursing facility costs range between $98 - $114 per patient per day ($35,500 - $41,600 per year).
- Nursing facility occupancy rates in California are approximately 86%.
- The average length of stay in today's long-term care facility is less than two months for over 70% of the resident population; with fewer than 13% of all residents remaining in the facility for one year or more.
- California's commitment to home and community-based care has resulted in a 22% lower rate of nursing facility placement than the national average.

In California, Medi-Cal reimburses skilled nursing facilities an average of $94 per day. What does it buy?

- 24 hours of care
- A clean, comfortable room
- Three nutritious meals and periodic snacks, special diets and dietary supplements
- More than three hours of hands-on care
- Assistance with personal hygiene, medications and activities of daily living
- Daily activity programs including both physical and social activities
- Housekeeping and laundry service
- Over the counter medications, such a *Advil*, *Tagamet*, *Nyquil*, and supplies such as cotton swabs, bandaids, etc.
- Use of wheelchair, crutches, canes or walkers and other assistive devices

Who Pays?

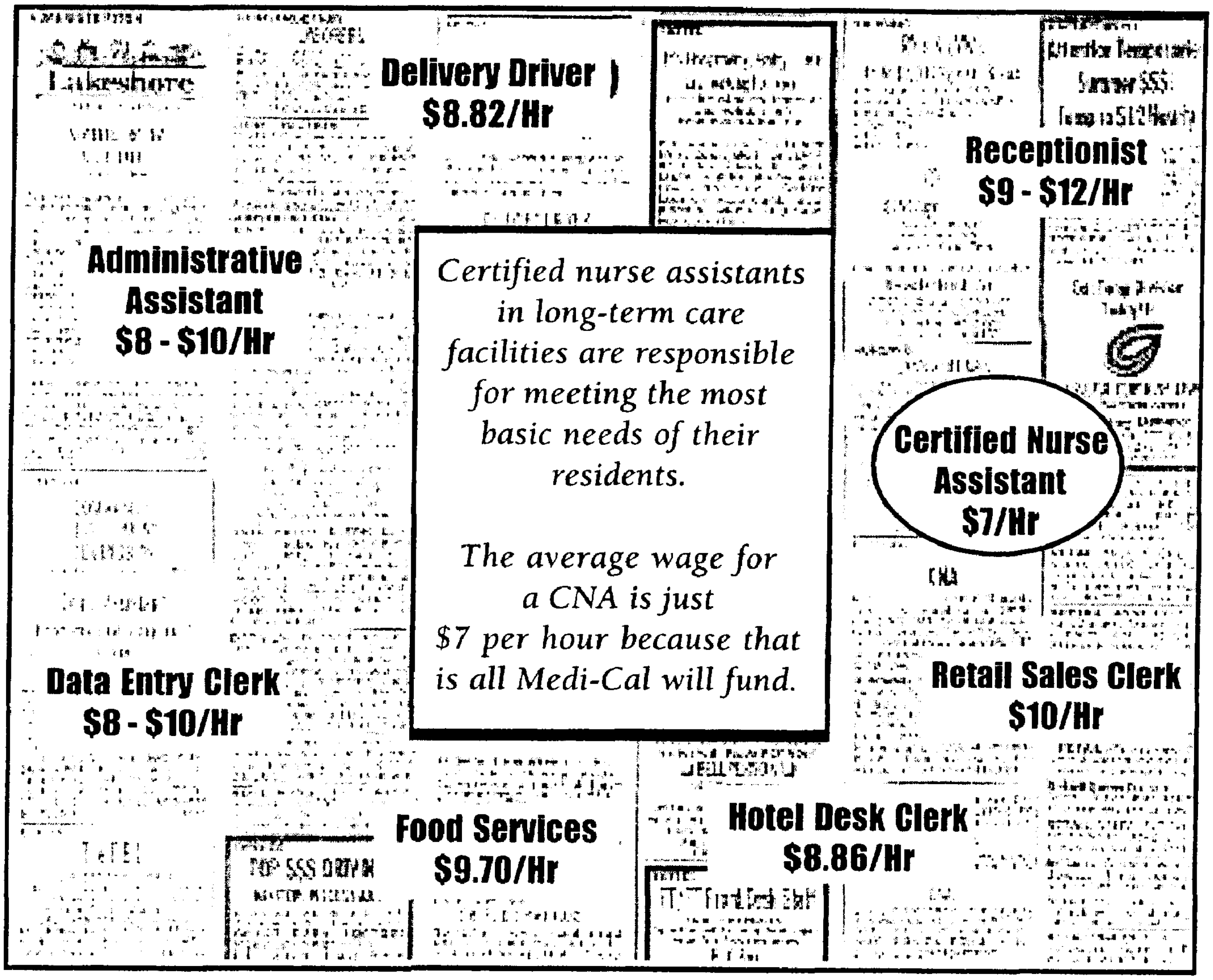


Sixty-four percent of California's nursing facility residents rely solely on Medi-Cal to pay for their care in a skilled nursing facility.

RESIDENT POPULATION

- As many as 250,000 Californians are cared for annually in licensed long-term care facilities.
- The U.S. Census Bureau estimates that the number of nursing facility residents in the United States will rise steadily until 2020 and then increase sharply for the next 20 years, growing to more than four times the 1990 level. By 2080, the Bureau estimates that the nursing facility population nationwide will rise to 5.6 million elderly (age 65+).
- Three out of four nursing facility residents are women.
- Approximately 85% of nursing facility residents in California are age 65 or older.
- On average, residents require some level of assistance with 3.7 activities of daily living (ADLs), which include bathing, dressing, transferring, toileting, and eating.
- Less than 2% of Californians currently pay for long-term care through private insurance.

Entry Level Job/Wage Comparison



Dog Handler (SPCA)
$8.75/Hr
No training required

Class A Driver
$13 - $15/Hr

Window Washer
$10/Hr
No experience necessary

Delivery Driver
$7 - 11/Hr
No training required

Customer Service Call Center
$9/Hr

Tile Setter Trainee
$8/Hr
No experience necessary

Projected 2000 direct-care staff needs: SNFs, by county

County	SNFs*	Direct Care Staff **	New Staff needed: due to staff vacancies	due to staff turnover***	due to 3.2 requirement	Total
Statewide	1054	60,706	9,690	17,506	4,086	31,282
Alameda	67	3,334	532	973	144	1,649
Amador	1	96	15	48	13	76
Butte	12	765	122	211	68	401
Calaveras	2	79	13	26	2	41
Colusa	1	41	7	10	5	22
Contra Costa	30	1,908	305	506	38	849
Del Norte	1	64	10	5	0	15
El Dorado	3	175	28	63	13	104
Fresno	30	1,654	264	457	132	853
Humboldt	5	363	58	57	0	115
Imperial	2	81	13	26	10	49
Inyo	1	30	5	18	0	23
Kern	14	986	157	325	56	538
Kings	3	226	36	61	11	108
Lake	3	176	28	83	0	111
Lassen	1	64	10	8	8	26
Los Angeles	323	18,255	2,914	4,725	1,852	9,491
Madera	4	261	42	57	23	122
Marin	16	871	139	213	0	352
Mendocino	5	194	31	52	15	98
Merced	7	313	50	106	10	166
Monterey	14	689	110	207	0	317
Napa	9	430	69	152	11	232
Nevada	5	257	41	129	10	180
Orange	57	3,885	620	1,157	202	1,979
Placer	8	574	92	179	42	313
Plumas	1	34	5	6	7	18
Riverside	42	2,268	362	727	164	1,253
Sacramento	32	2,144	342	622	121	1,085
San Benito	1	50	8	17	6	31
San Bernardino	40	2,276	363	921	169	1,453
San Diego	75	4,555	727	1,373	79	2,179
San Francisco	17	760	121	128	29	278
San Joaquin	25	1,513	242	378	148	768
San Luis Obispo	8	525	84	131	38	253
San Mateo	22	1,180	188	273	65	526
Santa Barbara	12	619	99	172	8	279
Santa Clara	46	2,782	444	821	192	1,457
Santa Cruz	11	559	89	147	54	290
Shasta	4	354	56	97	0	153
Siskiyou	2	100	16	24	9	49
Solano	10	537	86	175	39	300
Sonoma	20	1,033	165	327	59	551
Stanislaus	17	1,071	171	360	59	590
Sutter	4	234	37	82	11	130
Tehama	3	128	20	65	7	92
Tulare	13	800	128	376	65	569
Ventura	17	981	157	304	69	530
Yolo	7	406	65	123	19	207
Yuba	1	27	4	3	4	11

* Free-standing 'pure' SNFs at current occupancy. Does not include hospital DPs, or SNFs which also include other levels of care. Counties not appearing here had no SNF cost reports meeting those criteria.

** OSHPD FTEs adjusted by a county factor (1.1 to 1.7) for part-time employees.

*** OSHPD turnover was adjusted to reflect the fact that some staff leaving one facility move to another SNF rather than finding work in another field.

California Counties with Nursing Facilities in Bankruptcy
February 4, 2000

County w/facilities in Bankruptcy	Total # of Facilities	Total # of Bankruptcies	% of Facilities in Bankruptcy	Total # of Beds in County	# of Beds in Bankruptcy	% of beds in in Bankruptcy
Alameda	71	16	23%	5,492	1,768	32%
Amador	1	1	100%	199	199	100%
Butte	11	2	18%	1,130	283	25%
Contra Costa	34	5	15%	3,189	677	21%
Fresno	34	3	9%	3,256	176	5%
Glenn	1	1	100%	76	76	100%
Humbolt	6	4	67%	540	341	63%
Kern	14	1	7%	1,630	160	10%
Los Angeles	375	21	6%	37,903	3,062	8%
Lassen	1	1	100%	96	96	100%
Marin	17	3	18%	1,345	258	19%
Mendocino	5	1	20%	387	70	18%
Monterey	16	4	25%	1,096	357	33%
Napa	10	2	20%	746	156	21%
Orange	65	14	22%	7,598	1,542	20%
Plumas	1	1	100%	57	56	98%
Riverside	48	4	8%	4,448	396	9%
Sacramento	38	11	29%	3,862	1,457	38%
San Benito	2	1	50%	122	70	57%
San Bernardino	49	5	10%	4,891	352	7%
San Diego	87	11	13%	8,649	1,186	14%
San Francisco	19	6	32%	1,427	651	46%
San Joaquin	27	6	22%	2,850	735	26%
San Luis Obispo	7	1	14%	791	162	20%
San Mateo	23	5	22%	2,145	658	31%
Santa Clara	57	4	7%	5,751	711	12%
Santa Cruz	12	5	42%	1,023	522	51%
Shasta	7	2	29%	823	228	28%
Siskiyou	2	1	50%	158	59	37%
Solano	13	3	23%	1,312	364	28%
Sonoma	20	2	10%	1,611	202	13%
Sutter	4	1	25%	408	59	14%
Tehema	3	1	33%	180	58	32%
Ventura	17	2	12%	1,594	222	14%
Yuba	1	1	100%	86	86	100%
Totals	**1,098**	**152**	**14%**	**106,871**	**17,455**	**16%**

Data Source: CA Dept. of Health Services, Licensing & Certification ACCLAIMS Data 10/30/99

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The New York Times

Monday, December 13, 1999
Editorial

CHANGE AND CRISIS IN NURSING HOMES

As the American population ages, more and more of its oldest and frailest members spend their last years in nursing homes. In Florida, a laboratory of old age, it is estimated that one-fifth of the deaths in the state each year occur in nursing homes. But the American nursing home industry today is itself in uncertain health, and some of its biggest operators may be in terminal financial shape.

Homes for the aged in the 19th century were often founded by churches and towns as small, not-for-profit institutions. The trend in the last decades, however, has been toward ownership by large, publicly traded, for-profit chains. Wary of how the profit motive can compete with the cost of giving good care, New York State blocks publicly traded companies from operating nursing homes in the state.

But Wall Street helps finance them in other states, and two of the biggest of those national chains, Vencor and Sun Healthcare, have filed for Chapter 11 protection in the last three months. Two others, Mariner and Integrated Health Services, are trading at pennies a share. Five of the largest chains, with almost 20 percent of all the nursing home beds in the country, are now operating at a loss. Another big chain, Beverly Enterprises, recently agreed to reimburse the federal government for more than $170 million in Medicare billings after a federal audit.

The crisis and turmoil among the chain operators are not typical of the industry as a whole, but the changes and pressures they face are. Many of the chains in trouble specialized in the kind of therapeutic and rehabilitative care that Medicare once freely reimbursed but now does not.

With stricter reimbursement standards imposed in January, federal dollars for long-term care could fall by 20 percent this year. At the same time one part of the federal government was tightening its payment policies, another began cracking down on recurrent evidence of abuse and neglect of residents in nursing homes, much of which has occurred in chains.

Better, more attentive care costs more in time and labor than does indifferent care. But about two-thirds of nursing home patients are indigents whose care is subsidized by Medicaid, and state legislatures, which set Medicaid reimbursement rates, have been determined to hold down those already huge costs.

Only recently, in such states as California, have efforts begun to appropriate dollars targeted to raise the wages of the nurses' aides who give residents most of their care. In California, that money was included in the most comprehensive nursing reforms passed by the legislature in 20 years, but the bill was vetoed in October by Gov. Gray Davis.

The changes and crises in the nursing home industry are occurring without national debate and the participation of those most affected, the homes' 1.6 million residents. They do not, for the most part, vote. They often cannot walk or talk. As the handsome new assisted living facilities that have sprung up everywhere in this decade have attracted the youngest, most vigorous and affluent of the elderly, nursing homes have become filled with the poorest, sickest and neediest.

The change has come about very quickly. In Florida, where there are 70,000 nursing home residents, there are now 66,000 others in assisted living facilities, with new facilities being licensed at the rate of 85 each month of last year.

Assisted living facilities have been popular with developers because they are not burdened by the licensing requirements or regulations that govern nursing homes, and the elderly are glad for an alternative.

There are signs, such as vacancies and depressed stock prices, that the assisted living market has now been overbuilt. But the one demographic certainty is that the number of the very old and infirm will continue to grow, and that the nursing home industry will have to change to accommodate them. All those with aging relatives, or conscious that their own years are passing, need to pay attention.

San Francisco Chronicle

NORTHERN CALIFORNIA'S LARGEST NEWSPAPER

MONDAY, DECEMBER 13, 1999

EDITORIALS

Nursing Home Neglect

NURSING homes that care for 120,000 patients in California are feeling the financial pinch. It's Gov. Davis' turn either to come up with his own financial reform package or accept one devised after long negotiation by contending forces of labor, business and health care advocates.

Davis went part way in October by approving $36 million in state payments to upgrade pay for nursing home workers. But he vetoed a second measure that used a carrot-and-stick approach with fines for neglectful management, more staffing and increased money for nursing homes operators.

Currently, California ranks fourth from the bottom among all states in what it pays for subsidized nursing care. No wonder that 11 percent of the nursing home beds statewide are threatened by bankruptcy.

Last year, Assembly Majority Leader Kevin Shelley, D-San Francisco, thought he had achieved the impossible. Patient advocacy groups, labor representatives of nurses, and home operators agreed on a pact that would answer many of the cost and care problems.

The governor balked, indicating he was concerned that the $75 million cost of the plan would obligate the state to higher costs in the future. It's a legitimate concern, but he needs to explain what he will do instead.

Shelley plans to reintroduce the package. It's a starting point and the various interest groups will be pushing hard to grab Davis' attention.

With a strong economy and growing numbers of needy elderly, the time is right for change. If nothing is done, the situation will only worsen: financially weak rest home operators, a scarcity of low-paid workers, and the likelihood of patient suffering. Gov. Davis must focus on an issue that needs his attention, not just another veto.

San Francisco Examiner

THE PRESS BOX

Bankruptcies stalk nursing homes

IN Sacramento County, 19 percent of the beds in nursing homes are owned by companies that have filed for bankruptcy. In Amador County, the bankruptcies involve 80 percent of the beds. Humboldt, 64 percent. Yuba and Plumas counties, with one skilled nursing home apiece, 100 percent. Much of the financial deterioration is attributable to the bankruptcies of some large chains, yet the trend is worrisome.

Financially unhealthy homes don't translate into healthier residents, particularly senior citizens who are sometimes too frail, too sick, too alone to demand and receive appropriate care.

Nursing home reform was among the issues that eluded Gov. Gray Davis and the Legislature this past year. Lawmakers started with a get-tough strategy to punish unscrupulous operators rather than provide meaningful carrots to encourage improved quality. After legislators worked with the nursing home industry, the result was a more balanced bill, but it came with inevitable additional costs to increase staffing and improve training.

The governor's staff, unfortunately, had little direction as the reform effort evolved. Engaging late into the legislative process, Davis balked at the cost of paying for staffing increases beyond what was already in the budget and vetoed the bill.

Meanwhile, the nursing home bankruptcies mount. Sun Healthcare Group, with 369 facilities and 40,000 patients nationwide, filed for bankruptcy last month, joining other troubled chains with names such as Vencor, Frontier, Newcare and Iatros. It is difficult to conclude how much these bankruptcies are attributable to inadequate government payments or how much is due to poor management. Regardless, bankruptcies raise concern about the quality of care.

This is no easy problem to solve. Unlike other safety nets such as Medicare and Social Security, government-subsidized nursing home care is only for those who are poor — and who intentionally become poor by shifting assets to others.

In California, most nursing home residents are the financial responsibility of the government, which pays the homes about $91 a day per resident. In turn, the homes pay nursing aides about $7 an hour.

No wonder the caliber of these aides can be so poor that California nursing home residents complain about their care at twice the national average. No wonder many homes are in financial trouble.

Nov. 23, 1999

The Sacramento Bee

SATURDAY
November 27, 1999

Jackie Dunne, a certified nurse assistant at Somerset Nursing Center in West Sacramento, shifts a resident from bed to a wheelchair on Friday morning.

Bee photograph/
Dick Schmidt

At $7 an hour, tough staff jobs go begging in nursing homes

"I guess it would be easier to work at a Jack in the Box."

Jackie Dunne

By Cynthia Hubert
Bee Staff Writer

Jackie Dunne just might have the toughest $7-an-hour job in California.

On the morning after Thanksgiving, Dunne began her work day at 6 a.m. at Somerset Nursing Center in West Sacramento. She had 11 elderly and disabled people counting on her to keep them clean, fed, comfortable and content.

Before her shift ended, she would walk the equivalent of several miles and help lift residents who outweighed her. She would empty bedpans and wipe bodies. She would prepare herself at every turn for the possibility of getting cursed, slapped or zapped with a flying food tray or water pitcher courtesy of an angry or unstable resident. She would do it all cheerfully.

"It is very difficult work. It's sensitive work. It's physically and emotionally draining," said William Hunt, Somerset's adminis-

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Nurses: Workers say that good care could be casualty

Continued from page A1

trator.

And it is work that fewer and fewer people are willing to do in a booming economy that offers so many other options for entry level workers.

California and the rest of the country are dealing with a critical shortage of care givers like Dunne, a certified nurse assistant.

"It's the most important job n the health facility, without question," said Kristina Smith, hief of aide and technician cerification for the state Departnent of Health Services. And : has never been in bigger denand.

These specialists, who need 50 hours of training but not high school diploma to qualify or caring for society's most vulerable people, are eschewing e field for better-paying jobs warehouses, retail stores nd even fast-food restaurants.

The situation has left nursg homes in a bind. They cond they cannot afford to pay rtified nurse assistants more cause of stagnant governent reimbursement rates and w profit margins.

"I have worked my entire life provide care for the most edy in our society, and I have ver seen a staffing crisis as vere as this," said Judith Ry-, a registered nurse and esident of the American alth Care Association.

Ryan and others fear that d care could be a casualty. Staffing shortages translate o longer working hours, rter tempers and less indiual attention to patients, ustry observers said. Such umstances can lead to se and neglect, marginal e and even closure of homes.

n this economy, all induss are struggling to fill jobs," : Debby Friedman, administor of Saylor Lane Convales- Hospital in east Sacrato. "The difference here at this type of shortage can t human lives."

At Somerset, Dunne moved at a whirlwind pace from the moment she arrived at work on Friday morning. She had no time for casual conversations with co-workers, leisurely coffee break or scanning the newspaper. "I have people depending on me," she said matter-of-factly.

She helped get residents out of bed and dressed. She fed, weighed and showered patients. She changed linens, combed hair and brushed teeth. Lifted people into wheelchairs and helped residents to the bathroom. Gently turned the bodies of patients who were confined to their beds.

Wearing a back-support belt around her waist, Dunne answered constant requests for assistance as she moved tornado-like through the hallways, greeting residents by name.

"I guess it would be easier to work at a Jack in the Box," she shrugged, adjusting the foot rests on one woman's wheelchair. "But I'd rather be giving love to people. These people need someone to love them."

The industry could use a lot more people like Dunne, said Betsy Hite of the California Association of Health Facilities.

Hite said nursing homes in the state would have to recruit, train and hire about 30,000 new certified nurse assistants by the first of the year to meet staffing needs.

While nursing homes and CNAs are often criticized for poor care, neglect and even abuse of residents, a larger issue has been all but ignored, Hite said. Nursing homes, which are tending to sicker and older patients than ever before, are chronically under-funded by both the state and federal government, she said.

California nursing homes receive $90 per patient per day to care for residents who qualify for Medi-Cal, the state's insurance program for the poor. The actual cost of caring for those patients is about $120 per day, said Hite. Medicare, the federal health insurance plan for the elderly, also "significantly" underpays nursing homes, she said.

The result has been a rash of bankruptcies. Six of Sacramento's 36 nursing homes, and 109 facilities statewide, have filed for Chapter 11 protection in recent months, according to the association's figures.

"So when people ask us why we don't pay CNAs more, my answer is, 'Where is the money going to come from?'" said Hite.

Certified nurse assistants earn an average of $7 an hour in California, and even veterans rarely earn more than $9 per hour. The turnover rate among CNAs was a stunning 93 percent in 1997, figures show.

"Why would someone do this job when they can scoop ice cream and make the same amount of money?" asked Friedman of Saylor Lane. "At least when you serve someone ice cream, they go home with a big smile on their face."

Nursing homes in Sacramento and elsewhere are going to unprecedented lengths to lure and keep CNAs. Some are offering "signing bonuses" to new recruits, and trips to Hawaii for aides who remain on the job for six months or more.

"We offer $25 in cash just to get someone through the door to fill out an application," said Friedman. "Before, you could afford to be picky."

Some nursing homes have had to hire registered nurses, at $15 per hour, to fill CNA slots in emergencies. A few homes around the state have been forced to shut down wings because they were unable to staff them, said Hite.

"We have nine vacancies right now, so we have had to stop admitting patients," said Linda Michael, nursing director at Folsom Convalescent Hospital.

Hunt said Somerset, a family-owned facility with 99 beds where nearly everyone's care is subsidized by the government, cannot afford to boost wages for certified nurse assistants because the home's profit margin is "little to none."

"Why would someone do this job when they can scoop ice cream and make the same amount of money? At least when you serve someone ice cream, they go home with a big smile on their face."

— Debby Friedman, administrator of Saylor Lane Convalescent Hospital

"My income is directly controlled by the state and federal governments, my costs are going up and I have no way to keep up with the competition for employment," he said. "Warehouses and trucking firms are paying people $11 an hour to move boxes around, and we're asking our CNAs to accept $7 an hour to do this very sensitive work."

Gov. Gray Davis recently vetoed as too expensive a bill that would have boosted reimbursement rates for *Medi-Cal* patients in nursing homes. Although Congress last week increased payments to nursing homes for some Medicare patients, care for most will still be underfunded, said Hite.

The California Association of Health Facilities has launched a public education campaign designed to rally Congress and the state Legislature to increase funding. The association is pushing for a $2 "living-wage increase" for certified nurse assistants.

Dunne said that would make life a lot easier for CNAs.

"It's very rewarding work," she said. "But the cost of living keeps going up, and we get nothing for that. It would be nice to be able to pay your bills and buy an outfit once in a while without having to work overtime to pay for it. That would be really nice."

The Sacramento Bee
OPINION

Saturday, November 20, 1999

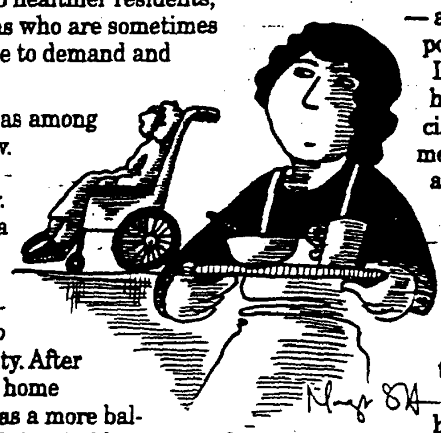
Nursing home woes

Bankruptcies reveal a troubled system

In Sacramento County, 19 percent of the beds in nursing homes are owned by companies that have filed for bankruptcy. In Amador County, the bankruptcies involve 80 percent of the beds. Humboldt, 64 percent. Yuba and Plumas counties, with one skilled nursing home apiece, 100 percent. Much of the financial deterioration is attributable to the bankruptcies of some large chains, yet the trend is worrisome. Financially unhealthy homes don't translate into healthier residents, particularly senior citizens who are sometimes too frail, too sick, too alone to demand and receive appropriate care.

Nursing home reform was among the issues that eluded Gov. Gray Davis and the Legislature this past year. Lawmakers started with a get-tough strategy to punish unscrupulous operators rather than provide meaningful carrots to encourage improved quality. After working with the nursing home industry, the end result was a more balanced bill, but it came with inevitable additional costs to increase staffing and improve training. The governor's staff, unfortunately, had little direction as the reform effort evolved. Engaging late into the legislative process, Davis balked at the cost of paying for staffing increases beyond what was already in the budget and vetoed the bill.

Meanwhile, the nursing home bankruptcies mount. Sun Healthcare Group, with 369 facilities and 40,000 patients nationwide, filed for bankruptcy last month, joining other troubled chains with names such as Vencor, Frontier, Newcare and Iatros. It is difficult to conclude how much these bankruptcies are attributable to inadequate government payments or how much is due to poor management. Regardless, bankruptcies raise concern about the quality of care.



Scott
Special to The Bee

This is no easy problem to solve. Unlike other safety nets such as Medicare and Social Security, government-subsidized nursing home care is only for those who are poor — and who intentionally become poor by shifting assets to others. In California, most nursing home residents are the financial responsibility of the government, which pays the homes about $91 a day per resident. In turn, the homes pay nursing aides about $7 an hour. No wonder the caliber of these aides can be so poor that California nursing home residents complain their care at twice the national average. No wonder many homes are in financial trouble.

To improve care, should lawmakers focus on increasing the number of aides or increasing their pay? Meaningful improvements will cost the state tens of millions of dollars. This poses another inevitable tradeoff — is nursing home reform a higher priority than other pressing needs?

It is hard to imagine a more appropriate time for California, with its healthy economy and aging population, to finally face up to the sorry state of its nursing homes. The status quo is not acceptable. And it is getting worse.

Fresno Bee
Editorial
Friday, November 12, 1999

NURSING HOME WOES: BANKRUPTCIES REVEAL A TROUBLED STATEWIDE SYSTEM

In Fresno County, 5.3% of the beds in nursing homes are owned by companies that have filed for bankruptcy. In Kern County, the figure is 9.8%. Those aren't bad numbers by comparison to other parts of the state, but Valley residents should be aware that the problem is growing.

In Sacramento County, the bankruptcies involve 19% of the beds. In Amador County, 80%. In Humboldt, 64%. In Yuba and Plumas counties, with one skilled nursing home apiece, it's 100%. Much of the financial deterioration is attributable to the bankruptcies of some large chains, yet the trend is worrisome. Financially unhealthy homes don't translate into healthier residents, particularly senior citizens who are sometimes too frail, too sick, too alone to demand and receive the appropriate care.

Nursing home reform was among the issues that eluded Gov. Gray Davis and the Legislature this past year. Lawmakers started with a get-tough strategy to punish unscrupulous operators rather than provide meaningful carrots to encourage improved quality. After working with the nursing home industry, the end result was a more balanced bill, but it came with inevitable additional costs to increase staffing and improve training.

The governor's staff, unfortunately, had little direction as the reform effort evolved. Engaging late into the legislative process, Davis balked at the cost of paying for staffing increases beyond what was already in the budget and vetoed the bill.

Meanwhile the nursing home bankruptcies mount. Sun Healthcare Group, with 369 facilities and 40,000 patients nationwide, filed for bankruptcy last month, joining other troubled chains with names like Vencor, Frontier, Newcare and Iatros. It is difficult to conclude how much these bankruptcies are attributable to inadequate government payments or how much is due to poor management. Regardless, bankruptcies raise concern about the quality of care.

This is no easy problem. Unlike other safety nets such as Medicare and Social Security, government-subsidized nursing home care is only for the poor - and those who intentionally become poor by shifting assets to others.

To improve care, should lawmakers focus on increasing the number of aides or increasing their pay? Meaningful improvements will cost the state tens of millions of dollars. This poses another inevitable trade-off - is nursing home reform a higher priority than other pressing needs?

It is hard to imagine a more appropriate time for California, with its healthy economy and aging population, to finally face up to the sorry state of its nursing homes. The status quo is not acceptable. And it is getting worse.

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Nursing home woes are troubling

The bankruptcy of the corporate owner of four of Humboldt County's nursing homes is worrisome, despite Sun Healthcare Group's assurances that it will make no difference to the quality of care its patients receive. Relatives of people in the homes are worried, especially as Sun Healthcare has reportedly dismissed some 10,000 of its employees nationwide.

The chain, one of the largest of its kind, says it's not alone in its difficulties. Changes in the way federal Medicare payments are made, company officials say, have reduced income for all nursing homes.

One might question whether this fully accounts for the loss of $1.4 billion in nine months. The chain had been expanding very rapidly, and may have overextended itself. It also is involved in a welter of lawsuits.

The bankruptcy of any firm is bad news, but if this were a chain of hardware stores or tanning salons it would mostly concern its stockholders and employees. Nursing homes are a matter of real public interest — anyone could end up in one.

It would be naive to pretend that health care was ever anything but a profit-making enterprise, but the extent of its present commercialization is unprecedented. And with billions to be made (or lost) the growth of nationwide chains is hardly surprising. The economic trend has long been toward concentration in every field, with formerly independent enterprises swallowed up or put out of business by ever-larger competitors.

That's not necessarily undesirable. Big chains succeed because they can control costs and operate more efficiently than smaller concerns. The nursing home "industry" had more than its share of scandal in the past, and a national corporation may be able to enforce higher standards.

Still, if something does go wrong with a large organization, all its units are affected, whether they themselves were well-managed or not. We hope that the new owner of our four local homes will be able to resolve its financial difficulties, and that their clients will not suffer from the parent corporation's money troubles. ■

The Record
Business Monday 10/25/99

NURSING HOMES

Crisis on the horizon?

Elderly care in S.J. County facing lean times

By Bruce Spence
Record Staff Writer

Headlines trumpeting bankruptcy woes for some major nursing-home companies have uggested a crisis for many of the cen-ers that care for the ailing elderly because overnment programs aren't paying enough.

But consumer advocates and the nursing-ome industry itself said that thus far, ser-ices generally remain stable.

The future is another matter.

"We have had a few facilities in the state osing already," said Gary Macomber, presi-nt of the California Association of Health cilities, a trade group representing about 0 of the 1,400-plus nonprofit and for-profit ursing homes in the state.

"Four more may close in the next couple months in rural Northern California, ough not your area. It's all going to inten-y because of the labor-force crisis we're

Those in the nursing-home industry say t underfunding by Medi-Cal, the state's lth program for the poor, and sharp dicare cuts have been pounding nursing nes, which have been struggling to find l keep the needed staff because they can't higher salaries.

Macomber predicts that unless there is a significant increase in state funding for wages, nursing homes statewide won't be able to attract an estimated 30,000 nursing staffers needed by next year to replace those who quit and to meet new state staffing requirements.

At the current average pay of about $7 per hour for certified nursing assistants now, it's hard to find those willing to take such a high-stress, demanding job for wages that can be easily matched by a restaurant busboy, Macomber said.

In short, nursing homes are staring at a real crisis, he said.

"If it's not here, then it's around the corner."

Health-care cuts cutting profits

Eileen Phillips, program analyst for San Joaquin County's Department of Aging and Community Services, said that with recent news of nursing-home bankruptcy woes, the ombudsman program did get a rash of calls from people concerned about whether this portends a meltdown for nursing homes.

"What we've been doing is calming people down because of what they read in the paper," she said.

There are many caring people and some well-run nursing homes in the area that feel that current reimbursements do threaten the quality of care, Phillips said.

"We have seen the quality of service deteriorate in some," she said, "but I think it's because of wanting to make profits."

The ombudsman program not only hears complaints from nursing-home residents or family members but also regularly visits the

"If it's not here, then it's around the corner."

— Gary Macomber,
California Association of Health Facilities

"We can't know whether there's a real crisis, but we are concerned. Until you see somebody's numbers ... it's hard to make a call."

— Patrick Luby,
Sacramento lobbyist for the American Association of Retired Persons

31 facilities in San Joaquin County. (Only four are nonprofit.)

The recent rash of care problems arose when a major company bought several nursing homes in the area, which resulted in less attention to care and an immediate escalation of problems, Phillips believes.

Ann Areida-Hintz, services coordinator for Lodi's senior-citizens center, said it was hard for her to feel sympathetic for nursing homes.

"The majority of people I see can't even afford nursing homes," she said. "I don't think nursing homes provide the quality of care they should. They hire minimum-wage employees so the turnover rates are high. I think administrators and owners do well. They're making a profit."

Two nursing home corporations have filed for Chapter 11 bankruptcy within the past six weeks, both decrying cuts in government reimbursements.

Two weeks ago, the Albuquerque-based Sun Healthcare Group Inc., parent company of four nursing homes in San Joaquin County, filed for bankruptcy protection during a financial reorganization.

Wayne Grigsby, administrator of one of those nursing homes in Stockton, attributed the company's financial problems to deep cuts in the Medicare reimbursement plans and what he called underfunded Medicaid programs (Medi-Cal in California) at the state level.

In mid-September, Vencor Inc., one of the nation's largest nursing-home chains — with facilities in 46 states — filed for federal bankruptcy protection.

The Louisville-based chain, which operates 300 nursing homes and 38 hospitals, including a nursing home in Stockton, cited rising debts due to declining Medicare fees.

Both companies declared that services wouldn't be affected by their reorganization moves.

California ranks 46th

Although cuts in government reimbursements have hurt all nursing homes, the for-profit sector is taking the heaviest hit, said Catherine Borg, associate director of public policy for California Association of Homes and Services for the Aging, which represents nonprofit facilities.

Until government payments to nursing homes rose in the 1960s, nursing homes mostly were nonprofit entities, she said. With government payments, the for-profit sector thrived, developing heavily into skilled-nursing services, where the most government money was going, Borg said.

"Our facilities are being hit just as hard as the for-profits, but because our members tend to be more diversified (into independent- and assisted-living services as well), they aren't being forced into bankruptcy double as much," she said.

According the the California Association of Health Facilities, nearly two-thirds of nursing home payments come from Medi-Cal, the state's health-care program.

Yet, Medi-Cal's flat-rate payments run about $90 a day for each nursing-home resident while a nursing home typically needs at least $100 per person just to cover expenses, Macomber said.

That rate from Medi-Cal puts California 46th in the nation in terms of spending on long-term care, he said.

"We've been at the bottom for a number of years, and we keep slipping."

The industry makes that up partly from private pay, which accounts for about a quarter of payments to nursing homes, Macomber said.

"You have to charge them substantially more," he said. "It may run from $140 to $150 a day for private pay."

Victim of veto

There seemed to be some relief on the way in January with legislation by Assemblyman Kevin Shelley, D-San Francisco, that sailed through both sides of the state Legislature.

That bill would have allowed for takeover of facilities and increased fines for care violations, but also had money to boost staffing and salaries for nursing homes.

That was vetoed, though, by Gov. Gray Davis, who in his veto message commended the legislation for many well-intended features but placed a significant burden on the state general fund.

He pointed out that the fiscal 1999 budget already had $72 million in funding to increase wages by 5 percent and increase the minimum staff-to-patient ratio from 2.9 to 3.2 hours a day per patient.

The measure also would have changed the way nursing homes are paid, changing from a flat rate to one based on the nursing care needed by each resident.

"We were pretty shocked by the veto actually," said Patrick Luby, legislative representative in Sacramento for the American Association of Retired Persons. "This is a bill that would have helped people in the beds by helping with the staffing ratios. We still have that problem, and because of the veto, it's not solved."

On the other hand, he doesn't know whether the industry's prediction of ruination is solidly based.

"We can't know whether there's a real crisis, but we are concerned," Luby said. "Until you see somebody's numbers — and obviously, we're not privy to their balance sheets — it's hard to make a call on this issue."

There isn't an access problem now in the state because of nursing-home closures, Luby said, though there may be in the future in rural areas, where nursing homes tend to be few.

The legislation was prompted partly from Shelley's personal experience of trying to find a suitable nursing home for his mother and partly because of federal and state studies indicating serious-care problems in the nursing-home industry.

For example, a July 1998 report by the federal General Accounting Office found that one of every three nursing homes in California had serious or potentially life-threatening care problems.

Shelley's office said the assemblyman will make another run on the measure that would win the governor's approval.

Bob Maus, an insurance advisor at Hutchins Street Square in Lodi, said his family has been dealing with nursing homes recently because of an aunt.

He's heard news and rumblings about financial trouble in the industry, but that hasn't raised any extraordinary concerns, though he wants to know that his aunt is well taken care of, he said.

"To me, that doesn't mean anything," Maus said. "They either have bad management or not."

RESOLUTION NO. 2000-51

A RESOLUTION OF THE LODI CITY COUNCIL IN SUPPORT OF INCREASED LEVEL OF MEDI-CAL FUNDING FOR LONG-TERM CARE FACILITIES

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WHEREAS, one-third of all Californians will spend at least some time in a nursing home or other long-term care facility; and

WHEREAS, the demand for high-quality, long-term healthcare services is expected to balloon as the population ages; and

WHEREAS, facility caregivers are dedicated and loving professionals who provide a vitally important service; and

WHEREAS, more than 250,000 Californians receive care from 120,000 caregivers in a nursing facility each year, and thousands more in facilities for people with developmental disabilities and mental illness; and

WHEREAS, the statewide average wage for a caregiver is $7.50 per hour; and

WHEREAS, California nursing homes cannot recruit, train and retain the tens of thousands of new caregivers required to meet staffing needs; and

WHEREAS, nearly two-thirds of all nursing facility residents rely on the government to pay for their care; and

WHEREAS, nearly 100 percent of the care for individuals in facilities serving the developmentally disabled are dependent upon Medi-Cal; and

WHEREAS, California's percentage of Medi-Cal spending on long-term care ranks 46th in the nation; and

WHEREAS, it is in the public's best interest to fund nursing homes at a level sufficient to ensure quality resident care and a stabilized workforce.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Lodi, that we urge the California Legislature and the Davis Administration to invest in the future of California's senior and disabled populations by increasing the level of Medi-Cal funding for long-term care facilities to ensure quality resident care through the development of a well-trained, appreciated and stable workforce.

Dated: April 5, 2000

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I hereby certify that Resolution No. 2000-51 was passed and adopted by the City Council of the City of Lodi in a regular meeting held April 5, 2000 by the following vote:

AYES: COUNCIL MEMBERS – Hitchcock, Land, Nakanishi, Pennino and Mann (Mayor)

NOES: COUNCIL MEMBERS – None

ABSENT: COUNCIL MEMBERS – None

ABSTAIN: COUNCIL MEMBERS – None

Jacqueline L. Taylor

JACQUELINE L. TAYLOR
Interim City Clerk