

President's Address

San Diego Healthcare Association Annual Rap Session

Craig Cornett
CEO/President, CAHF

April 26, 2018

California's Economic and Fiscal Picture

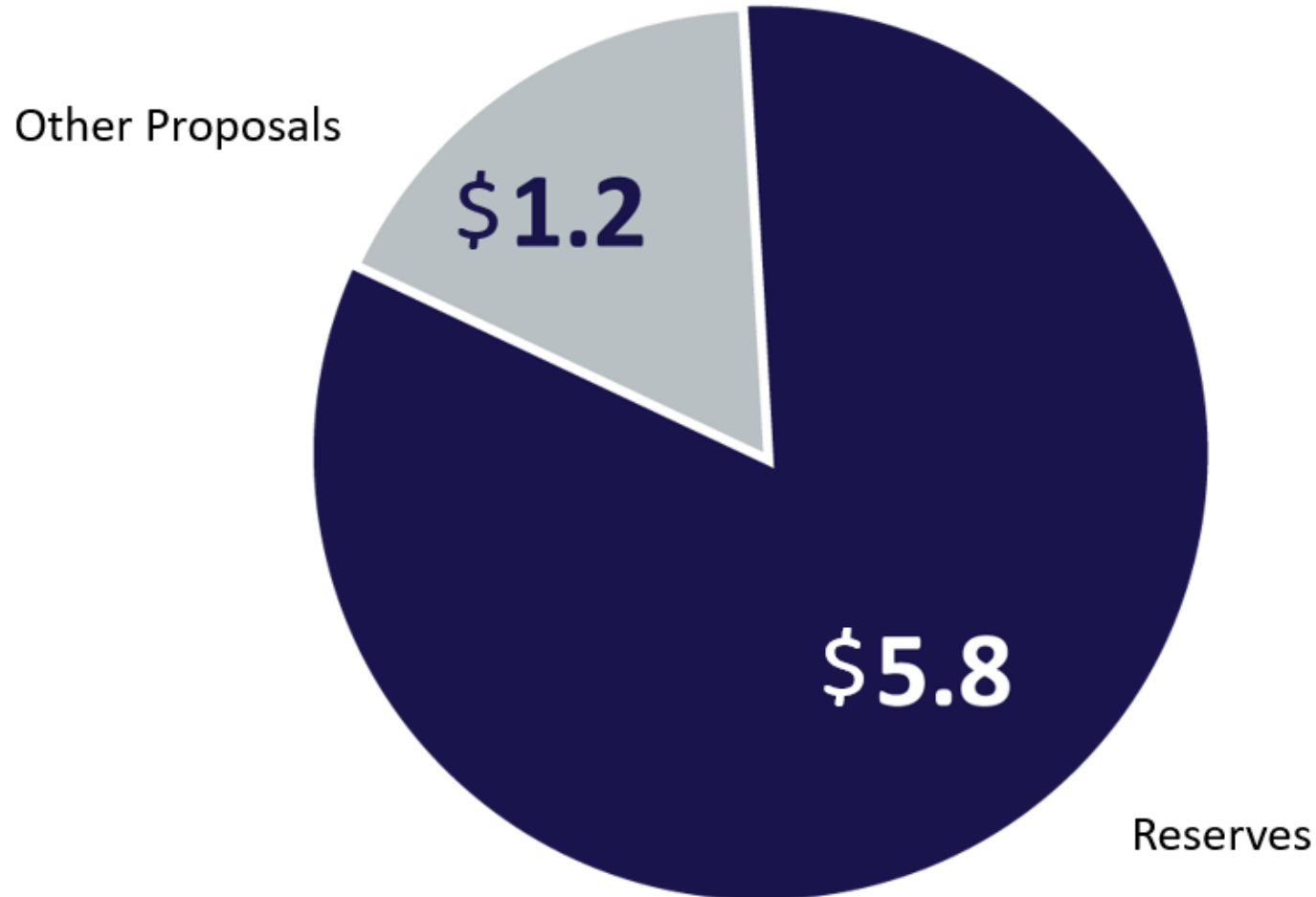
- State's economy looks strong...
- ...but some downside risks
- “Full” employment
- Good state tax revenue growth
- Longest economic expansion in post-war history

Governor's proposed 2018-19 Budget:

Pretty Simple Priorities

- Builds reserves
- Full funding for schools and community colleges
(largest area of state spending)
- Provides more funds for infrastructure
- LAO thinks state tax revenues likely to exceed
Governor's estimates

How the Governor Allocates \$7 Billion in Discretionary Resources in His Budget

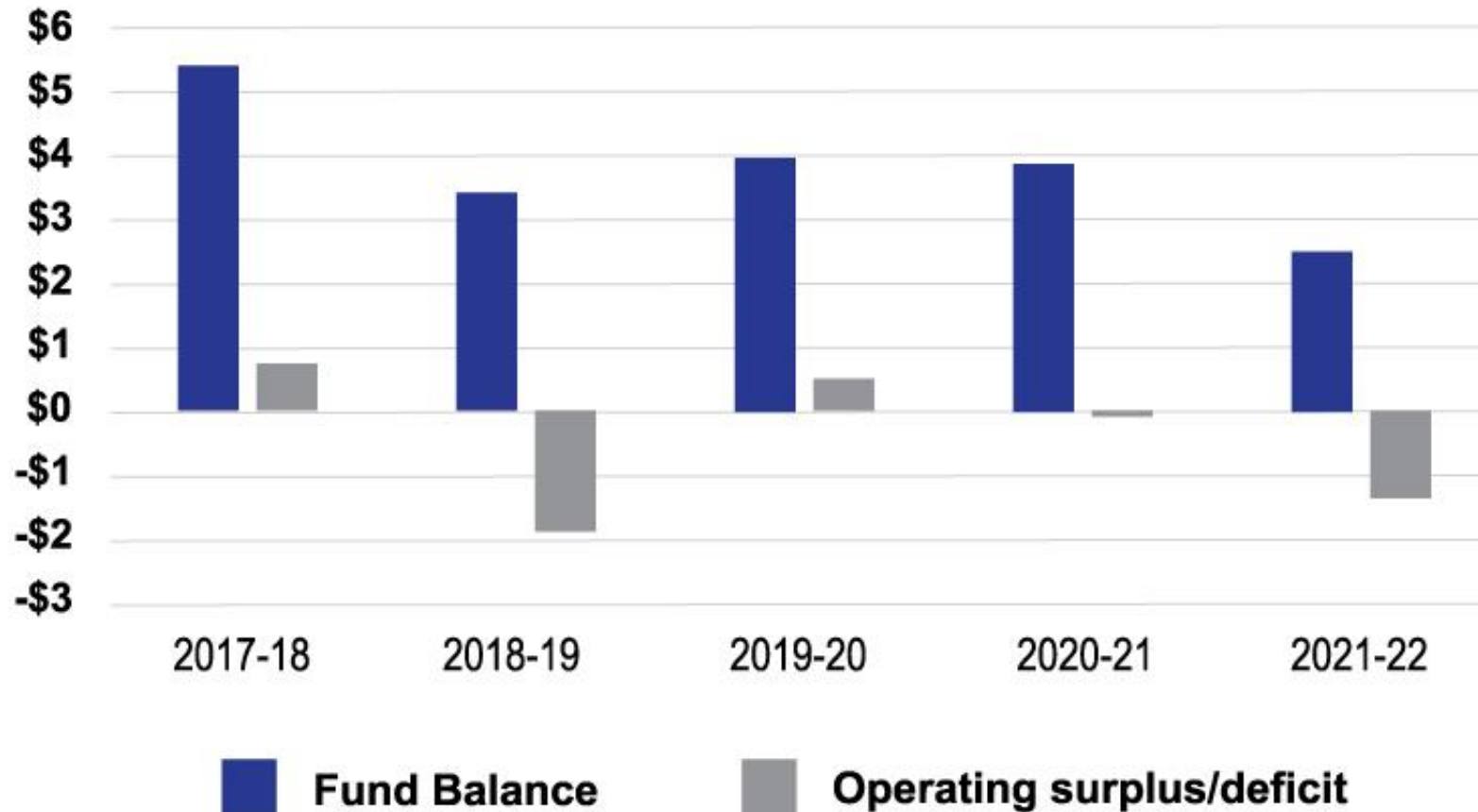


Downside Economic and Budgetary Risks

- Federal tax law changes: SALT, mortgage interest deductions
- Tariffs and trade
- Stock market “adjustment”
- Wage and price pressures
- New, ongoing state spending that exceeds revenues
- Unfunded state and local government liabilities

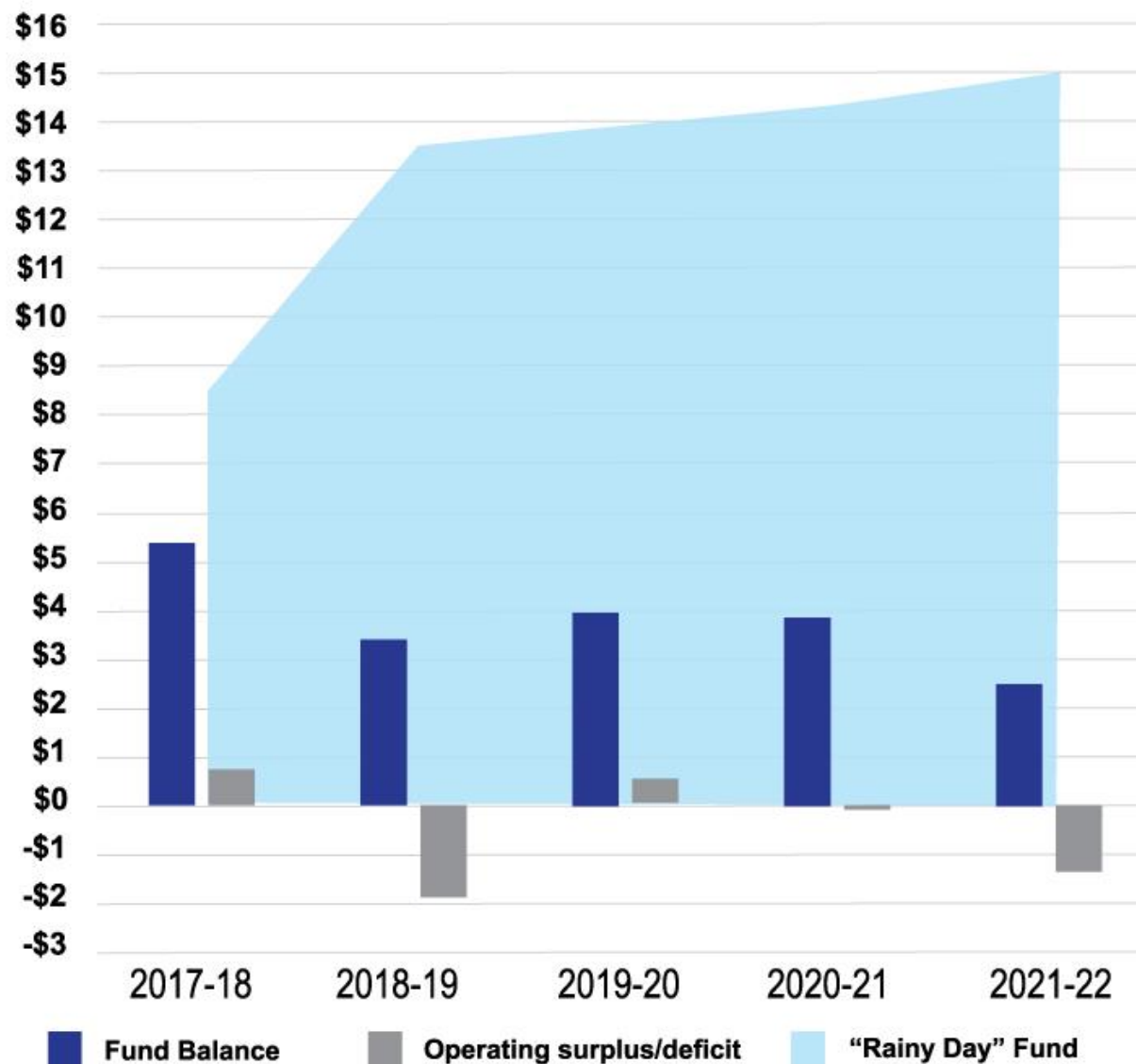
State budget will be in balance, but operating deficits continue

Billions



“Rainy Day” Fund

Billions



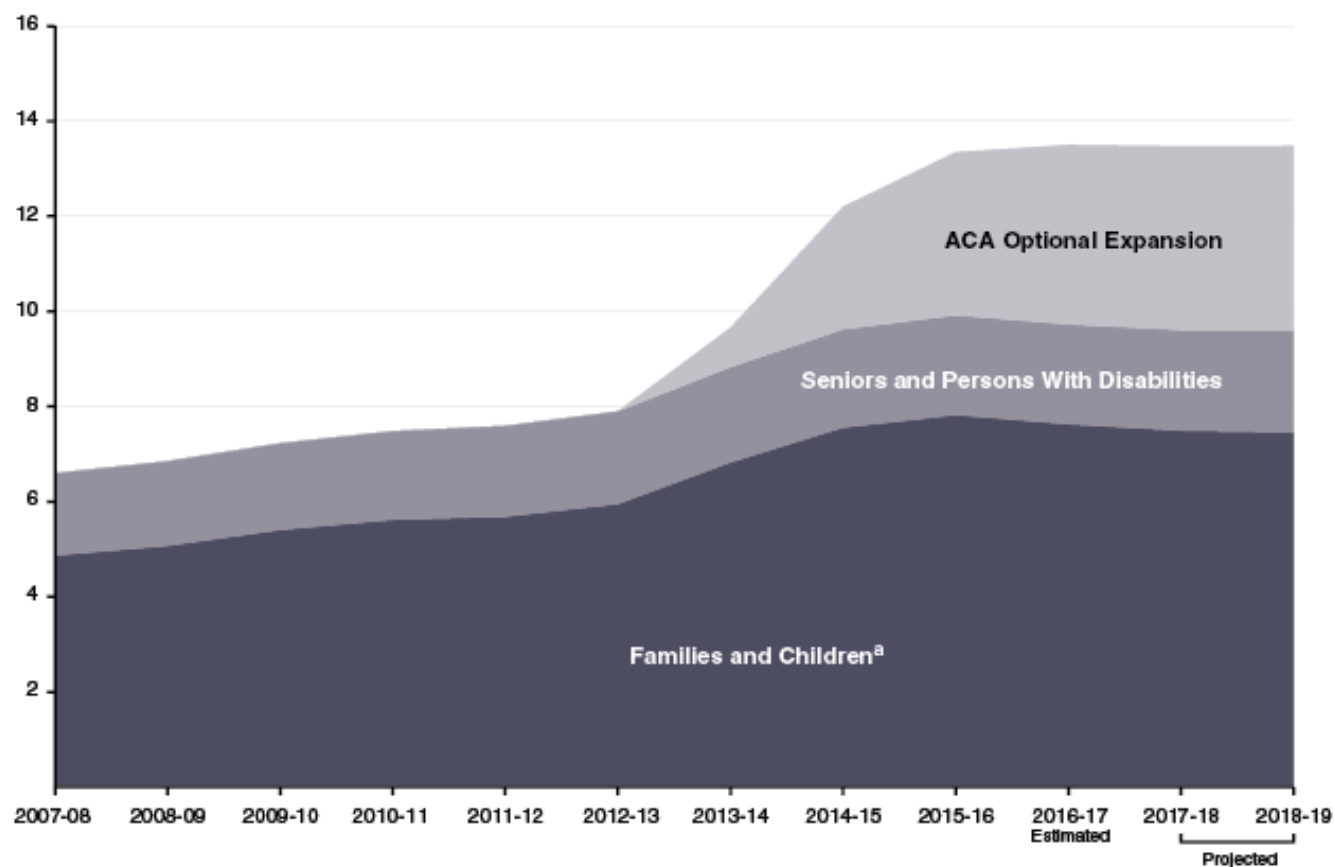
The Governor's Health Care Budget

- \$24 billion General Fund, +3x more federal funds
- Medi-Cal:
 - \$1.5 billion GF increase in 2018-19 (+7.6%), and \$3.5 billion federal (+5.4%)
 - 13.4 million enrollees, including 3.8 million from ACA
 - Caseload is starting to stabilize
 - Budget includes second year of agreement on Prop. 56 funding...
 - ...but no increase from Prop. 55 revenues

Figure 4

Budget Assumes Flat Medi-Cal Caseload

Average Monthly Enrollees (In Millions)



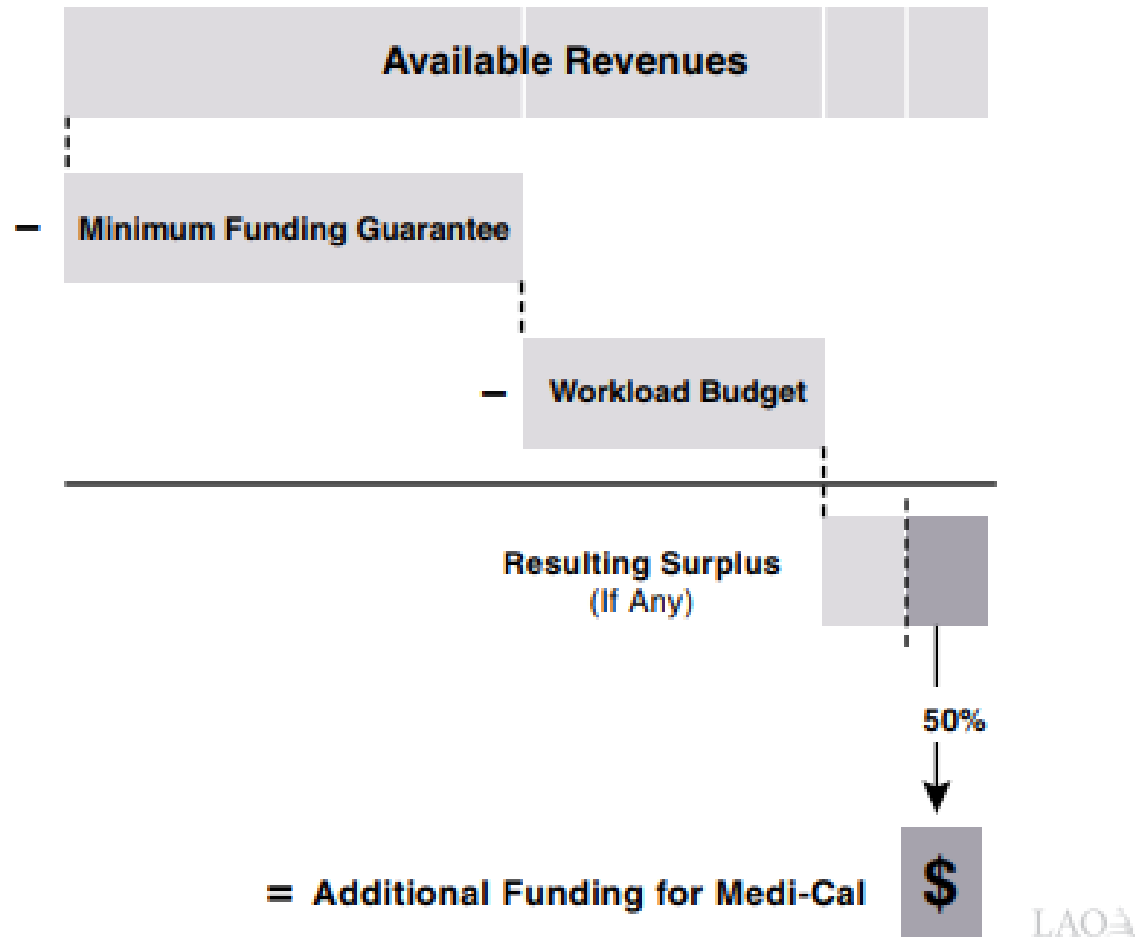
^a Includes certain refugees, undocumented immigrants, and hospital presumptive eligibility enrollees.

ACA = Patient Protection and Affordable Care Act.

LAOA

Figure 1

How the Proposition 55 Formula Works

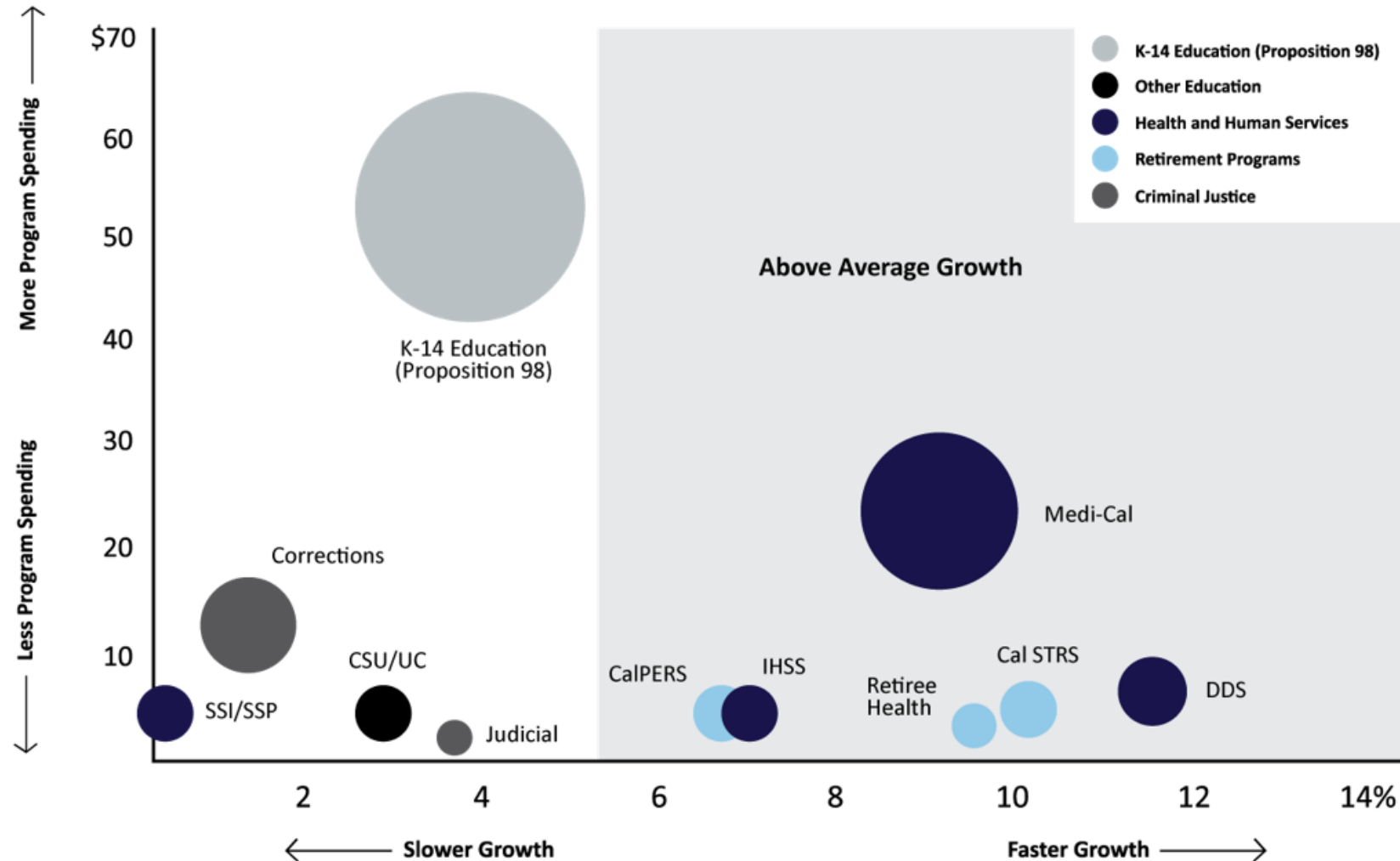


Budget Proposals that Affect CAHF Members

- 3.62% increase to base
- QASP
- 3.5/2.4 [*more in a minute on 3.5/2.4.....*]
- ICF/DD from Prop. 56
- Workforce development
- Licensing fee increases, particularly in L.A. County

LAO Projection: Average Annual Spending Growth by Program Through 2020-2021

Under Economic Growth Scenario (In Billions)



Note: Figure includes programs and departments with more than \$1 billion in expenditures in 2018-19. Excludes capital outlay, bond debt service, and Proposition 2 related debt payments.
DSH = Department of State Hospitals and DDS= Department of Developmental Services.

Potential legislative battles in 2018

- Disaster response and infrastructure
- Elder abuse
- Transfer/discharge (“patient dumping”)
- Informed consent
- Anti-psychotics and opioids
- Arbitration
- “Transparency” measures
- Labor priorities (?)

The New 3.5/2.4 Staff Ratio Requirement

- The new requirement—and how we got here
 - 3.5 direct care, with 2.4 CNAs
- What it means in terms of new staffing needed
- Waivers and emergency regulations: released on March 29 and 30
 - “Acuity” waiver
 - Workforce shortage waiver

3.5/2.4: What CAHF is Doing

- *Communication, communication, communication*
- E-mail blasts, web “toolkit”
- Webinar(s)
- Development of waiver template/FAQ
- Workforce development
 - CNA training programs
 - Simplified training delivery models
 - Streamlined CNA recertification
- Tireless advocacy

3.5/2.4: What Next, What to Watch For

- New webinars
- Constantly updated “Toolkit”
- Templates
- Important note: *If you apply for a waiver, send CAHF a copy of document.*

Got questions? Send to:

Staffratios@cahf.org

The National Picture

- Same general economic dynamics as California
- Continued struggles for the industry
- Reduced Medicare days, big Medicaid underpayments
- ACA, Medicare and Medicaid reform less likely in 2018

The National Picture (continued)

- Good news on therapy caps
- Medicare “market basket” whipsawing
- Group and concurrent therapy changes?
- RCS changes – likely delayed until October 2019
- Continued good news on federal regulation (fines, arbitration, new CMS rule)

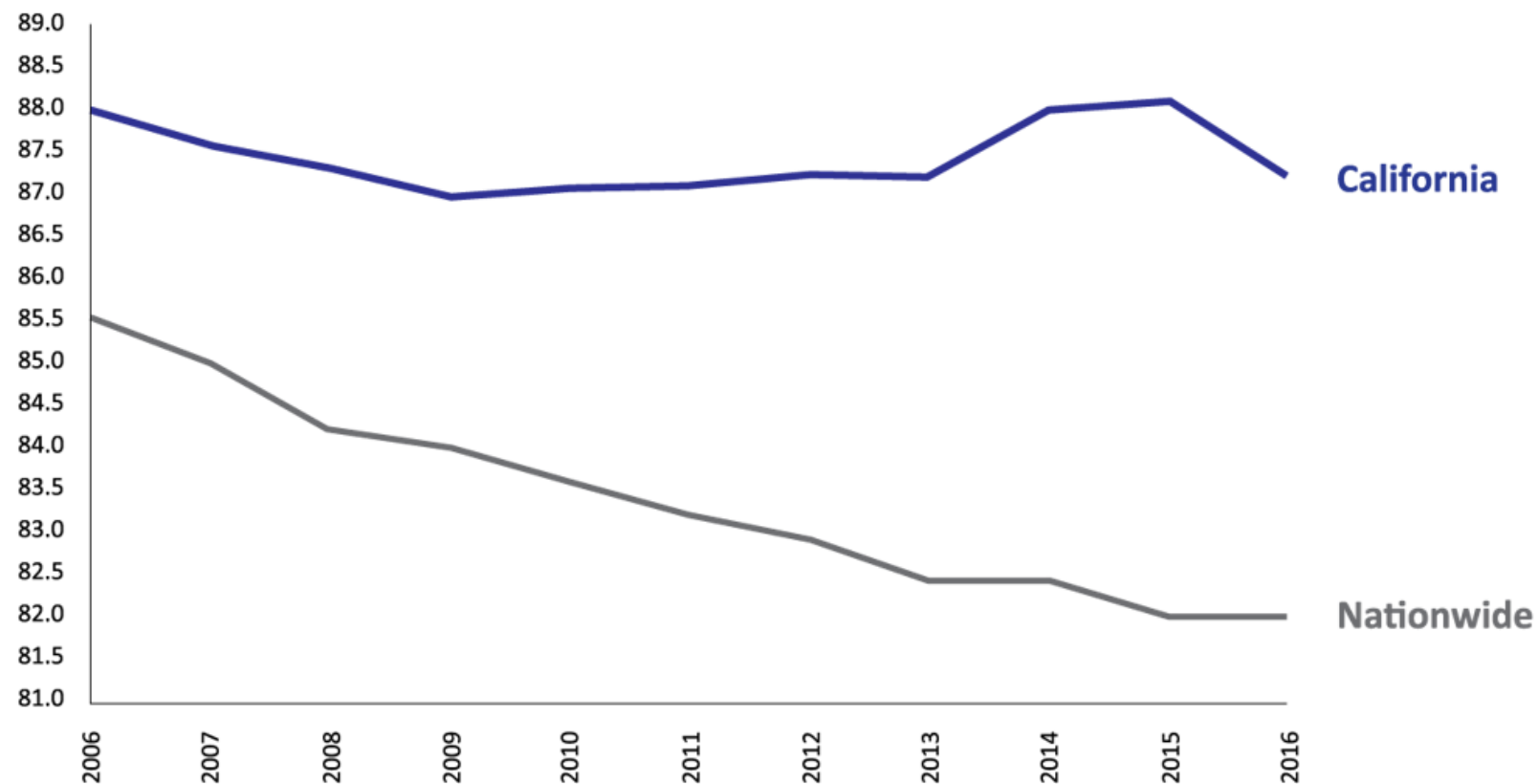
Great Opportunities – and Many Challenges – Lie Ahead

- November election: 233 days away
 - A new Governor
 - Legislative and Congressional players
- Federal “welfare reform”
- Workforce, workforce, workforce
- AB 1629 expiration
- Minimum wage climb

Opportunities and Challenges (continued)

- Behavioral health populations
- New facilities
- Ownership changes
- Lawsuits
- Disruptions – in business, in health care delivery

Skilled Nursing Occupancy Rates

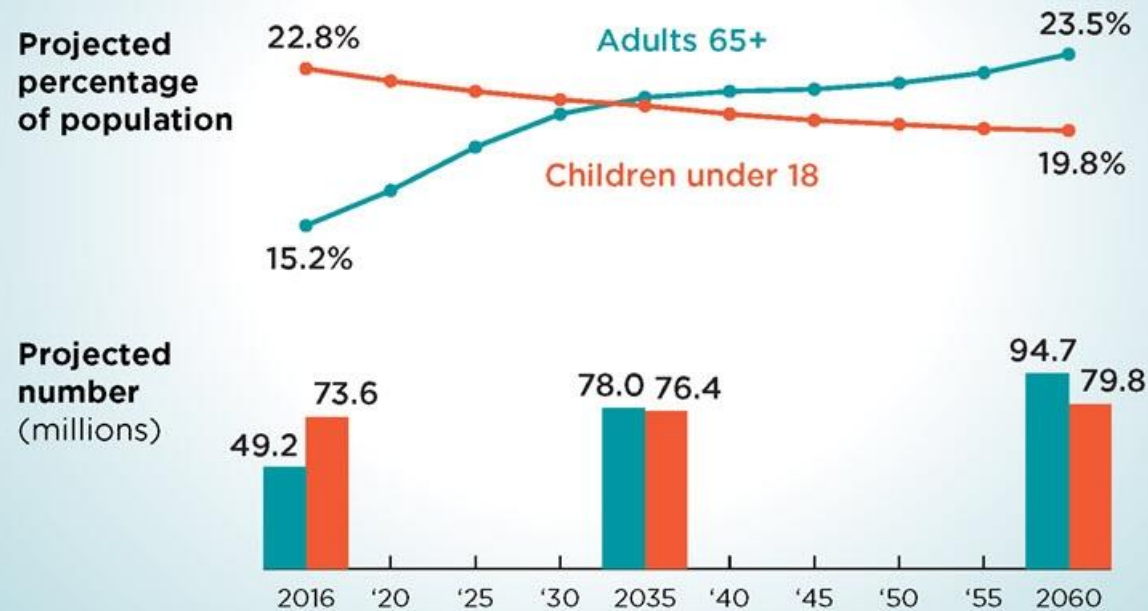




An Aging Nation

Projected Number of Children
and Older Adults

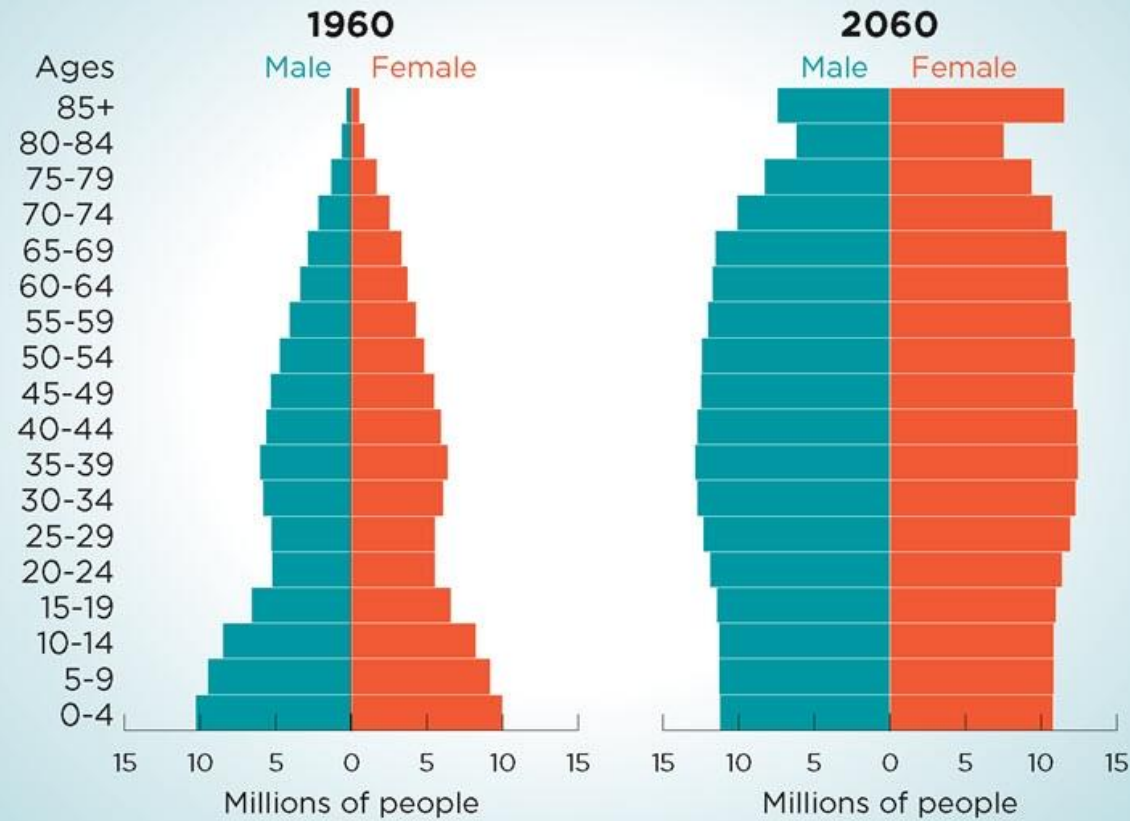
For the First Time in U.S. History Older Adults Are
Projected to Outnumber Children by 2035



Note: 2016 data are estimates not projections.

From Pyramid to Pillar: A Century of Change

Population of the United States



United States™
Census
Bureau

U.S. Department of Commerce
Economics and Statistics Administration
U.S. CENSUS BUREAU
[census.gov](https://www.census.gov)

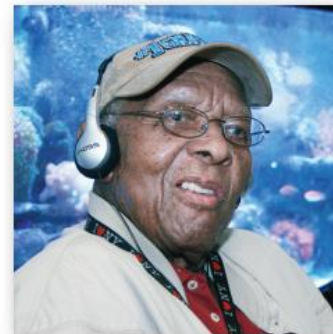
Source: National Population
Projections, 2017
www.census.gov/programs-surveys/popproj.html

Quality: A Great Story to Tell



California Skilled Nursing Facilities

Five Year Quality Snapshot



QUALITY REPORT | 2018