CALIFORNIA ASSOCIATION
CAHF
OF HEALTH FACILITIES

High Quality Skilled Nursing Care Requires Reasonable and Timely Payment to Providers

California's skilled nursing facilities (SNFs) are a critical part of the health care system that serves a growing population of vulnerable seniors and disabled residents, many of whom have multiple serious health conditions.

Nursing homes face the combined impact of often-conflicting policies that have created financial and administrative burdens that threaten the long-term viability of nursing homes at a time when the need for more beds is only increasing.

INADEQUATE AND DELAYED REIMBURSEMENT THREATEN SNF SURVIVAL.

Prior to the COVID-19 pandemic, SNF providers were already chronically underfunded. SNFs faced major challenges during the COVID-19 pandemic and continue to face workforce challenges. Since 2018, 49 SNFs have closed and 20 new SNFs have opened resulting in a net loss of 29 buildings. This number could increase if financial threats grow.

SNFs are almost entirely funded by Medi-Cal and Medicare programs. Unlike many other health care facilities, there are very few commercial health insurance and self-pay residents that can cross-subsidize low public payor reimbursement rates. Reimbursement payments that are not distributed in a timely manner and do not cover costs result in highly unstable revenue streams for SNFs.

- ***Late Medi-Cal Rates.*** Medi-Cal SNF reimbursement rates are updated annually based on cost reports that are three years old, so in an environment of increasing costs, the reimbursement rates rarely reflect the current costs. In addition, the Department of Health Care Services (DHCS) has struggled to update rates such that the Calendar Year 2023 rates which went into effect in January 2023 were not posted until October 2023 which means that providers have not received increased funding rates for most of 2023 and many have had to borrow funds from other sources and postpone facility and program improvements.

- ***Late payments from health plans.*** This year, many SNFs are contracting with Medi-Cal Managed Care plans for the first time as part of the CalAIM transition and have been reimbursed months after care was provided and well after timely payment was required by law. DHCS has also interpreted state law to require SNFs to be contracted with Medi-Cal Managed Care plans as a condition of receiving Workforce and Quality Incentive Payments (WQIP). Due to delays in contracting and in some cases, unwillingness on the part of plans to contract with SNFs, many SNFs will not receive full quality payments that reflect all the days for which they provided care to Medi-Cal beneficiaries, resulting in additional funding instability.

NEW STATE AND FEDERAL REQUIREMENTS CARRY HIGH COSTS WITH UNCERTAIN REIMBURSEMENT.

SNFs are facing several regulatory requirements that will result in significant and potentially unreimbursed costs, further straining their financial stability.

- ***AB 2511 (Irwin)*** requires SNFs to have an alternative source of power for no fewer than 96 hours during any type of power outage. The requirement is being interpreted by the administration as requiring SNFs to make significant capital investments in new facility generators that could cost over $1 billion across the sector. No upfront funding has been appropriated to fund these expenditures and it is unclear when and if these costs will be reimbursed by the Medi-Cal program.
- ***SB 525 (Durazo)*** would require skilled nursing facilities to comply with a minimum wage for health care workers if a minimum patient care spending requirement is also passed. Both requirements will likely result in a negative financial impact to SNFs, and it remains unclear whether funding will be available to adequately reimburse SNFs for these costs.
- ***A federal staffing standard for SNFs*** is being proposed by the Biden Administration which would substantially increase costs for SNFs by requiring them, among other provisions, to hire more registered nurses and certified nursing assistants. At this time, the proposal is an unfunded mandate.

2024 LEGISLATION IMPACTING SNFs – CAHF CONCERNS

SB 525 Clean-up (TBD) – CAHF continues to be very concerned about the unfunded mandate on SNFs that is created by this bill and supports an additional implementation delay for SNFs and upfront funding to cover SNF costs to increase the minimum wage (as opposed to the current 3-year delay in SNF reimbursement to reflect increased costs. Implementation for SNFs requires establishment of a minimum patient care spending requirement.

AB 1537 (Wood) – AB 1537 would establish an 85% minimum patient spending requirement for SNFs. Facilities that do not meet the minimum spend requirement would be required to pay a rebate back to the State. A version of this bill has been introduced in each of the last 2 years. Most recently it was held by the author in 2023 and DHCS is providing technical assistance on the bill language. CAHF is opposed to the bill in print and has been engaged in discussions about the language and our most significant concerns are that the bill designates major SNF expenditures as unallowable expenditures that could not be counted as patient care including: administration, contracted services, and rent, lease and capital costs. The bill is currently in the Senate.

AB 486 (Kalra) – AB 486 was introduced in 2023 and would change the venue for facilities appealing A and AA citations issued by CDPH from a judicial process to an administrative hearing process within CDPH. CAHF is opposed and has offered amendments. These types of cases are highly complex (similar to malpractice cases) and the state administrative hearing process lacks the experience and resources to properly adjudicate these cases. The bill is currently in the Senate.

AB 2800 (Kalra) – This bill will make changes to Elder Abuse and Dependent Adult Civil Protection Act.