

# SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

BILL: CS/SB 596

SPONSOR: Health Aging and Long-Term Care Committee

SUBJECT: Long-Term Care

DATE: January 29, 2002      REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Liem	Wilson	HC	Favorable/CS
2.	_____	_____	AHS	_____
3.	_____	_____	AP	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

## I. Summary:

The Committee Substitute for Senate Bill 596 implements the recommendations contained in Senate Interim Project Report 2001-136, "Long-Term Care Alternatives to Nursing Homes."

The bill provides legislative findings regarding the need for a more comprehensive strategy to meet the needs of an increasingly elderly population; requires the Agency for Health Care Administration, in consultation with the Department of Elderly Affairs, to develop a plan to reduce the number of Medicaid-funded nursing home days; establishes an Office of Long-Term Care Policy within the Department of Elderly Affairs; delineates the duties of the office; establishes an advisory board for the office; modifies the agency's duties with respect to the certificate-of-need program to require that prior to issuing certificates of need to construct additional nursing homes, the agency must determine that such need cannot be met through enhanced home and community-based services; establishes statutory requirements for the Comprehensive Assessment and Review (CARES) nursing home pre-admission screening program; revises the purposes and duties of the Department of Elderly Affairs to reflect creation of the Office of Long-Term Care Policy; and requires the department and agency to implement a program to assist individuals residing in nursing homes to move to less restrictive settings.

The bill amends ss. 408.034, 409.908, 409.912, 430.03, 430.04, 430.708, and 641.386, F.S.; and creates ss. 430.041 and 430.7031, F.S., and two undesignated sections of law.

## II. Present Situation:

### Long-term Care

Long-term care generally means care that is provided on a continual basis to persons with chronic disabilities. Unlike acute illness, chronic conditions are essentially permanent. Regimens

of medical and personal care can sometimes control chronic conditions and the level of disability can often be mitigated through the use of assistive devices and re-training in self-care activities. The presence of disability, however, is not synonymous with the need for long-term care.

Florida is home to nearly 3 million individuals over the age of 65. Of the ten places in the U.S. with 100,000 or more population having the highest median ages, five are in Florida: Cape Coral, St. Petersburg, Fort Lauderdale, Hollywood, and Clearwater. Clearwater had the highest median age at 41.8 years.

Over the past ten years, the proportion of the population in Florida over age 65 declined from 18.3 to 17.6 percent. This decline was caused by a dip in the birthrate in the United States in the late 1920s and early 1930s. Despite the drop in the proportion of the elderly in Florida's population over the past ten years, the number of Floridians over 85 years old increased by nearly 30 percent to 331,000. The current dip in the proportion of the elderly in Florida will be much more than offset when the "baby boom" generation begins to reach age 65 in 2011, swelling the ranks of the elderly. Florida, more than other states, faces large increases in the number of "oldest old", i.e., people over age 85. By 2020, Florida will be experiencing the full effect of the aging of its "baby boomer" residents, with an estimated 97 percent growth in its population over the age of 85.

### **Long-term Care Planning**

A major impediment for states in planning an efficient long-term care system has been the difficulty of managing the interrelationship of incentives between the Medicare and Medicaid financing systems, and the effect that care of acute illnesses has on the eventual need for long-term care. States often have little control over the admission of a patient into a nursing home since the initial portion of a nursing home stay is usually financed by Medicare or other sources. Once these resources are exhausted (often after community support systems have unraveled) state Medicaid programs become responsible for financing continuing stays.

Florida Statutes delegate the responsibility for long-term care policy development to the Department of Elderly Affairs. Operational responsibility for management of the major long-term care programs is split between the Agency for Health Care Administration (AHCA or Agency), the Department of Elderly Affairs (DOEA) and the Department of Children and Family Services. The Agency determines the need for additional nursing home capacity and regulates the operations of these facilities. The Agency operates the Medicaid program, which purchases 66 percent of the nursing home bed days in Florida and has responsibility for the policy control for Medicaid home and community-based waivers operated by DOEA. The Department of Elderly Affairs operates a variety of state and federally funded programs for the elderly; has rule-making authority for assisted living facilities, adult family care homes, and hospice programs; and operates the Aged/Disabled Medicaid waiver, the Assisted Living Medicaid waiver and the CARES nursing home pre-admission screening programs, under an inter-agency agreement with AHCA. The Department of Children and Family Services establishes Medicaid eligibility for long-term care services in nursing homes and the home and community-based services programs.

DOEA and AHCA provide about \$265 million in home and community-based services to elderly individuals through a variety of programs. Though the stated purpose of these programs is to

assist elderly individuals to remain in their homes as they become more frail, the programs differ in the characteristics of their target groups and their payment methodologies and rates. Some of these programs are targeted at elderly people who meet nursing home admission criteria and who are in the process of entering a nursing home, while others serve people who have lesser levels of disability and who can be assisted in remaining in their homes with the provision of limited supportive services. There are other programs that provide supportive services to lessen isolation, keep elders healthy, or relieve the burdens and stresses placed on families caring for aged family members.

Although Florida's nursing home alternative programs serve similar target populations (people at some level of risk for nursing home placement) the system is a "patchwork quilt" which exhibits substantial geographic variation in terms of coverage, provider network, payment rates, payment methodology, and whether or not the programs are required to pay for nursing home placement if they are unsuccessful in providing an alternative.

### **Nursing Home Capacity in Florida**

Florida regulates the number of nursing home beds in the state via the Certificate-Of-Need (CON) program. The CON program is a regulatory process that requires health care providers to obtain state approval before offering new or expanded services. Need for additional nursing home beds is determined in 33 separate market areas. The factors considered in the nursing home CON formula are the elderly population in an area, existing nursing home beds per elder population, and the existing nursing home occupancy rate in the area. For many years, the CON program has produced a ratio of nursing home beds to elders and to disabled elders in Florida that has been one of the lowest in the nation.

The 2001 Legislature imposed a 5-year moratorium on the issuance of new certificates of need for nursing home beds with the exception of non-Medicaid beds in Continuing Care Retirement Facilities. The intent of the moratorium is to enable the state to shift its emphasis from nursing home care to care that is community-based and more in keeping with the wishes of the state's elderly citizens. The Agency for Health Care Administration has imposed the moratorium and is no longer issuing certificates of need for nursing home beds, however, as of October 2001, there were 2,285 beds that had been approved but not yet built.

### **Long-term Care Alternatives**

Since the late 1960's there has been an on-going process of "downward substitution" of care from highly institutional settings to less expensive, less institutional and more home-like settings for people with many types of disabilities.

Provision of supportive services to disabled elderly persons can help them to remain in their own homes as an alternative to nursing home placement. Traditionally, the majority of the supportive services needed are assistance with the activities of daily living such as assistance with bathing, dressing, light housekeeping, adult day care, home delivered meals, and home repair (construction of wheelchair ramps, installation of grab bars). Generally, home and community-based programs require an assessment of an individual's functional deficits and a prescription for the supportive services required to substitute for the individual's ability to provide self-care. The

assessment is preformed by a “case manager”, who arranges for the services, oversees delivery of the services, and modifies the plan of care as the individual’s needs change.

For many years elder advocates have hypothesized that increased levels of less expensive state-supported home care could replace more expensive nursing home care. There has been considerable skepticism about the cost-effectiveness of this notion due to the difficulty of choosing recipients to ensure that services are provided to the same people who would otherwise be served in nursing homes, the loss of economies of scale incurred in bringing into people’s homes the intensive services required by very frail individuals, and the tendency of case managers to over-prescribe services in an effort to meet patient desires and preferences.

### **Nursing Home Preadmission Screening**

The CARES program (Comprehensive Assessment and Review for Long-term Care Services) is Florida’s gatekeeper to prevent inappropriate Medicaid payment for nursing home care. Pre-admission screening for nursing home care is a federally-mandated function of the Medicaid program to ensure that elder and disabled applicants for Medicaid-reimbursed nursing home care are medically appropriate for such care. The CARES program identifies an individual’s need for long-term care, establishes an individual’s medical eligibility to receive Medicaid funding for long-term care, and recommends the least restrictive and most appropriate placement.

Prior to 1989, the CARES program was operated by the Medicaid program office within the Department of Health and Rehabilitative Services (HRS). In 1989, management of the CARES program was transferred to the Aging and Adult Services program office in an attempt to better integrate the nursing home pre-admission screening function with the state entity that managed the state’s elder services network. When the Department of Elderly Affairs was created in 1992, CARES remained at HRS. In 1995, funding and staff for the CARES program was transferred in the General Appropriations Act to the Department of Elderly Affairs, which operates the CARES program under an interagency agreement with AHCA.

Florida statutes do not contain an authorization or requirement for operations of the CARES program.

The University of South Florida has been contracted by the Agency for Health Care Administration to develop a data system which matches Medicaid data to nursing home pre-admission screening data kept in the DOEA CARES management information system. In an analysis of this data for other purposes, the university was unable to find evidence that CARES evaluations had been performed for between 15 to 25 percent of the Medicaid residents of nursing homes. According to CARES staff, the event which triggers CARES staff performing an evaluation of a nursing home resident’s need for nursing home care is an eligibility determination by Department of Children and Family Services staff. In the instance of an individual who is eligible for Medicaid due to receiving assistance under the Federal SSI program, DCF staff do not perform an eligibility determination; consequently there is no trigger for CARES to perform the required preadmission screening. There is not currently a mechanism in the Medicaid payment system to ensure that the required screening has been performed prior to payment.

## **Transitioning People Out of Nursing Homes**

CARES approval for Medicaid payment of nursing home care is based on criteria defined in state rules. An individual may be admitted as a “skilled” resident if the recipient requires services that are medically complex and supervised by a physician. A resident may also be admitted as either “intermediate level I” or “intermediate level II”. A resident at intermediate level I is incapacitated mentally or physically and receives extensive health-related care. Intermediate level II care is limited health-related care required by an individual who is mildly incapacitated or ill to a degree to require medical supervision. In Florida, approximately 1/3 of the Medicaid funded nursing home residents are at a skilled level of care; approximately 2/3 of Medicaid funded residents are at intermediate level I. Less than half a percent of Medicaid-funded residents are at intermediate level II.

If CARES staff believe that an individual’s stay in a nursing home will be short-term, the team recommends a “temporary nursing home” level of care. In fiscal year 2000-2001, DOEA reports that CARES issued approximately 4,600 temporary level of care recommendations. Department staff report that many of these temporary placements have lengths of stay that resemble permanent placements (for example nearly 60 percent of the temporary placements are in a nursing home for more than 6 months, and nearly 40 percent remain in a nursing home for a year or more). This is due, in part, to a lack of intervention to ensure that the resources of the home and community-based services system are used as soon as the individual is rehabilitated to assist the person in returning home or to an alternative setting as soon as possible.

The 2001 General Appropriations Act, however, provided \$3.49 million for the Assisted Living Medicaid waiver program to transition residents in nursing homes at the intermediate II level of care to assisted living facilities. In implementing this policy DOEA found that there were far fewer individuals at the intermediate II level of care than anticipated, and therefore began to take a closer look at individuals currently at the “temporary” level of care, but who had nonetheless remained in nursing homes. As of October 1, 2001, DOEA has been able to arrange alternative placements for 84 individuals. All of the residents moved to the assisted living waiver program had been in a nursing home at least 60 days; the average length of stay prior to transition was 263 days. The full time equivalent of these 84 individuals in nursing homes, at Florida’s average per diem rate would have been approximately \$3 million. The cost of care in the Assisted Living Waiver for this population for a year will be \$820,000.

Staff at DOEA report that several factors must be in place in order for an individual who has been in a long-term nursing home placement to move to a less intense care setting. First, someone must be available to follow up on the resident immediately after the nursing home placement, offer an alternative, and take responsibility for working with the individual, his family and the facility to prepare a transition plan. Second, an alternative placement (either in a less intensive assisted living facility or one of the state’s community care programs) must be available. Third, the state must ensure that dedicated funds are available to support the cost of the alternative placement.

### III. Effect of Proposed Changes:

**Section 1.** Provides legislative findings and intent regarding the need for a more comprehensive strategy for meeting the long-term care needs of an increasingly elderly population.

**Section 2.** Requires AHCA, in consultation with DOEA, by December 1, 2002, to submit a plan to reduce the number of nursing home bed days purchased by the state Medicaid program and to replace such nursing home care with care provided in less costly alternative settings. The plan is to include specific statutory and operational changes to achieve the reductions and must include an evaluation of the cost-effectiveness and relative strengths and weaknesses of programs that are alternatives to nursing homes.

**Section 3.** Amends s. 408.034, F.S., modifying the methodology by which AHCA determines need for additional community nursing facility beds to require that prior to determining that there is a need for additional community nursing facility beds, the Agency must determine that the need cannot be met through the provision, enhancement, or expansion of home and community-based services. As part of this determination, the Agency must examine nursing home placement patterns and demographic patterns of persons entering nursing homes and the effectiveness of existing home and community-based service delivery systems in meeting the long-term care needs of the population. The Agency is to recommend changes to the existing home and community-based delivery system to lessen the need for additional nursing home beds.

**Section 4.** Amends s. 409.912, F.S., to add requirements for the CARES nursing facility-preadmission screening program to ensure that Medicaid payment for nursing facility care is made only for individuals who require such care and to ensure that long-term care services are provided in the most appropriate setting. The Agency may operate the CARES program directly or contract with another state agency or other provider, but is to retain policy control of all operations including criteria and forms used. The Agency is to perform regular monitoring and develop performance standards. Prior to determining that an individual requires nursing facility care, the program is to determine that an individual cannot be safely served in a community-based program, and is to refer the individual to community-based programs if the individual could be safely served at lower cost in such programs. The Agency is to submit a report to the Legislature and to the Office of Long-Term Care Policy describing the rate of diversion to alternatives, staffing needed to improve the diversion rate, reasons the program is unable to place individuals in less restrictive settings, barriers to appropriate placement, including those due to operations of other agencies or state-funded programs, and statutory changes necessary to ensure that individuals in need of long-term care services receive such care in the least restrictive environment.

The bill does not move the CARES program from DOEA to AHCA. Since the General Appropriations Act provides staff and budget authority for this function in the DOEA budget entity, DOEA would continue to be responsible for this activity.

**Section 5.** Amends s. 430.03, F.S., to delete from the purposes of DOEA the functions assigned to the Office of Long-Term Care Policy.

**Section 6.** Amends s. 430.04, F.S., to delete from the duties and responsibilities of DOEA the functions assigned to the Office of Long-Term Care Policy.

**Section 7.** Creates s. 430.041, F.S., to establish the Office of Long-Term Care Policy in the Department of Elderly Affairs. The department is to provide administrative support and service to the Office of Long-Term Care Policy, however, the office is not subject to control, supervision or direction by the Department of Elderly Affairs in the performance of its duties. The office is to analyze the state's long-term care system, increase the availability and use of non-institutional settings, and ensure coordination among the agencies responsible for the long-term care continuum. The office is to develop a state long-term care plan, and update the plan every three years. The office is to have an advisory board consisting of a member of the Senate and of the House of Representatives, appointed by the President and the Speaker, respectively, the Secretaries of the Agency for Health Care Administration and the Department of Elderly Affairs, the state Medicaid director, two representative of providers of long-term care services appointed by the Governor, and two representatives of people using long-term care, appointed by the Governor from groups representing elderly persons. The office is to submit a report of its policy, legislative, and funding recommendations to the Governor and the Legislature by January 1 each year. The director of the office is to be appointed by, and report to, the Governor and AHCA and DOEA are to provide staff that are dedicated to the office.

**Section 8.** Creates s. 430.7031, F.S., to establish the Nursing Home Transition Program to assist individuals in nursing homes to regain independence and to move to less costly settings. DOEA and the Agency are to work together to identify long-stay residents who could be moved out of nursing homes, and to provide services to assist these individuals to move to less expensive and less restrictive care. The two agencies are to modify existing service delivery systems or develop new systems, and are required to offer long-stay residents priority placement in all home and community-based care programs. DOEA and the Agency may seek federal waivers necessary to administer the program.

**Section 9.** Amends s. 409.908, F.S., to make conforming statutory cross-reference changes.

**Section 10.** Amends s. 430.708, F.S., to make conforming statutory cross-reference changes.

**Section 11.** Amends s. 641.386, F.S., to make conforming statutory cross-reference changes.

**Section 12.** Provides an effective date of July 1, 2002

#### **IV. Constitutional Issues:**

##### **A. Municipality/County Mandates Restrictions:**

The provisions of this bill have no impact on municipalities and the counties under the requirements of Art. VII, s. 18 of the Florida Constitution.

##### **B. Public Records/Open Meetings Issues:**

The provisions of this bill have no impact on public records or open meetings issues under the requirements of Art. I, s. 24(a) and (b) of the Florida Constitution.

**C. Trust Funds Restrictions:**

The provisions of this bill have no impact on the trust fund restrictions under the requirements of Art. III, s. 19(f) of the Florida Constitution.

**V. Economic Impact and Fiscal Note:****A. Tax/Fee Issues:**

None.

**B. Private Sector Impact:**

The provisions of this bill will increase the requirements that must be met prior to allowing the construction of additional nursing homes. Enhanced nursing home pre-admission screening and a requirement that individuals be referred to alternatives to nursing homes that can safely and cost-effectively meet their long-term-care needs may mean decreased revenues to nursing homes. The nursing home transition program will decrease revenues to nursing homes by removing those residents who can be cared for in other settings. It is likely that this program will increase revenues to assisted living facilities and other providers of community-based long-term-care services.

**C. Government Sector Impact:**

The Office of Long-Term Care Policy will require funding for staff, administrative and travel expenses. The nursing home transition program should produce substantial savings in Medicaid nursing home spending for each person removed from nursing homes and served in other settings.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Amendments:**

None.