

Financing the Development of Specialty Care LTC Services – Innovative Approaches by States

7/21/2009

Findings

General observations

- Rhode Island has a history of using innovative approaches such as capital access pools, waivers and other mechanisms to develop capacity in the mental health and MR/DD capacity to support deinstitutionalization – lessons learned from those programs should be applied to developing specialty care services
- However, for specialty healthcare needs outside of the MH/MRDD populations the lack of integrated health planning across the acute / post acute / long term care sectors has created real capacity challenges for medically fragile populations
- A combination of reimbursement reform, conversion incentives and capital access programs are required to rebalance the state’s long term care system for the most expensive medically fragile populations
- Additionally policies such as Perry Sullivan or the Housing Development bonds are “best practices” what is not clear is how those best practices at a policy level are actively implemented in ways that meet the policy objectives

Summary of approaches for specialty care programs

Approach	Discussion
<i>Medicaid Waivers</i>	<ul style="list-style-type: none">▪ 27 states use waiver authority for TBI/SCI populations▪ 4 states have ventilator dependent specific waivers▪ Florida has an alzheimers' specific waiver▪ Given the global waiver no additional information is provided
<i>“Trust Funds”</i>	<ul style="list-style-type: none">▪ 9 states have TBI/SCI trust funds to provide supplementary support and care coordination services▪ 12 states have TBI only trust fund programs▪ Examples follow
<i>Capital Pools</i>	<ul style="list-style-type: none">▪ 9 states have targeted capital pools at developing supportive housing (RI is one of those states)▪ Several states have capital pools to finance nursing home conversion▪ Examples follow on nursing home conversion
<i>Reimbursement Mechanisms</i>	<ul style="list-style-type: none">▪ Typically done through case mix adjustments▪ ACS should provide additional detail

NJ Special Needs Housing Trust Fund

- ❑ **Created:** 2005
- ❑ **Authorization:** Ch. 163 NJ Public Laws
- ❑ **Purpose:** provide capital financing to support development of permanent supportive housing
- ❑ **Governance:** NJ Housing and Mortgage Finance Agency
- ❑ **Source of Funding:** Motor Vehicle Surcharge Securitization
- ❑ **Amount Funding:** \$200 million in capital to be disbursed over 10 years
- ❑ **Use Guidelines:**
 - ❑ Priority for projects that require less than 50% financing for project development
 - ❑ Financial structure that provides for at least 30 years of affordability
 - ❑ Can be combined with Low Income Housing Tax Credit (LIHTC)
 - ❑ Provides a full continuum of care as prescribed by HUD CoC model
- ❑ **Eligible Populations:**
 - ❑ Mental illness (preferred group)
 - ❑ Development disabilities
 - ❑ Domestic violence
 - ❑ Ex offenders and adjudicated youth
 - ❑ Homeless (veterans, youth, families)
 - ❑ HIV/AIDS

CO Brain Injury Trust Fund

- ❑ **Created:** 2002
 - ❑ **Authorization:** Legislature: Ch 26
 - ❑ **Purpose:** Provide supplementary support services to those with acquired brain injury
 - ❑ **Governance:** 13 person board; administered by Colorado equivalent of DHS
 - ❑ **Source of Funding:** \$15 per DUI conviction; \$10 per speeding ticket
 - ❑ **Amount Funding:** ~\$1.5 to \$2 million per year
- ❑ **Use Guidelines:**
 - ❑ Not structured as an entitlement program
 - ❑ Primary role is to pay for care coordination services through a contracted vendor – Denver Options Inc.
 - ❑ Can also be used to purchase up to \$2000 annually in supplementary services for a 12 month period
 - ❑ Care coordination plan must be in place
 - ❑ Payment rates for services are predetermined
 - ❑ **Eligible Populations:**
 - ❑ Acquired brain injury

GA Brain & Spinal Injury Trust Fund

- ❑ **Created:** 1998 first funds distributed in 2002
 - ❑ **Authorization:** Constitutional Amendment
 - ❑ **Purpose:** Provide supplementary support for persons with acquired brain or spinal injury
 - ❑ **Governance:** 15 person board; administered by Trust Fund
 - ❑ **Source of Funding:** 10% surcharge on DUIs and donations; an appropriation of \$150,000 is made for administration of fund
 - ❑ **Amount of Funding:** ~ \$1.8 million per year
- ❑ **Use Guidelines:**
 - ❑ Payer of last resort
 - ❑ Need-based determination
 - ❑ Lump sum distribution award
 - ❑ Applicant provides cost request
 - ❑ **Eligible Populations:**
 - ❑ Acquired brain and spinal injuries

Nursing home conversion program models

- Nursing home bed conversion programs fall into four broad categories
- Specifics vary widely by state

Approach	Discussion	Considerations
<p><i>Voluntary Closure / Conversion Programs</i></p>	<ul style="list-style-type: none"> ▪ LTC providers provide proposals for voluntary closure or conversion ▪ Typically beneficial rate adjustments occur for nursing homes that permanently delicense beds on a voluntary basis ▪ Typically a bed conversion program is also tied to voluntary closure but these are not necessarily intertwined programs ▪ NOTE: Minnesota substantially changed its initial program because of the slow speed of participation and closure 	<ul style="list-style-type: none"> ▪ Incentives to get participation ▪ Screening and evaluation criteria are critical to managing “unintended consequences” of voluntary adjustments to capacity ▪ Basis for the “closure” fee ▪ Ensuring that beds that are closed or converted are “medicaid” beds to ensure CMS participation ▪ How to handle a complete facility conversion where CMS participation may be limited <ul style="list-style-type: none"> ▪ Nebraska and Iowa self funded their programs ▪ Single bed creation
<p><i>Bed Layaway Programs</i></p>	<ul style="list-style-type: none"> ▪ Beds can be temporarily mothballed without being delicensed ▪ An adjustment payment is made to reflect this change in status ▪ Limits are placed on the duration a bed can be brought back into service from layaway 	<ul style="list-style-type: none"> ▪ Arguably RI has this approach in place on a <i>de facto</i> basis ▪ It is unclear whether RI has any deliberate policy on “bed layaway” and how beds can be brought back into service

Nursing home conversion program models (continued)

- Nursing home bed conversion programs fall into four categories

Approach	Discussion	Considerations
<i>Capital Access Programs</i>	<ul style="list-style-type: none"> ▪ Below low interest or below market rate loans to facilities who permanently reduce beds in their facilities or convert to less restrictive settings ▪ Generally tied to increases in HCBS LTC capacity ▪ Can be used for conversion to assisted living – sometimes conversion is at a less than 1 to 1 bed ratio 	<ul style="list-style-type: none"> ▪ RI Housing and/or RIHEBC will need to be involved ▪ Capital market situation may require state capitalization or some form of guarantee for the debt ▪ For facilities not within CDBG entitlement communities community with the state CDBG program may be warranted
<i>Realignment Commissions</i>	<ul style="list-style-type: none"> ▪ Modeled after federal Base Realignment And Closure (BRAC) process ▪ Number of beds that need to be realigned are determined by statewide commission ▪ Permanent closure or conversion proposals are provided the Commission ▪ Grant programs provide closure or conversion funds 	<ul style="list-style-type: none"> ▪ NY utilized this approach which also included hospital facilities ▪ “Depoliticizes” facility changes

Key to any program is how the money can be used

Example: HEAL NY Rightsizing Demonstration

- Acquisition, construction, reconstruction, equipment and information technology necessary
 - for the conversion of challenged, but needed facilities to levels of care consistent with community needs
 - to consolidate nursing homes, completely or partially as a result of a merger or affiliation with another nearby facility to avoid unnecessary and inefficient duplication of services
 - To allow nursing homes with excess capacity to permanently decertify unneeded beds and, where appropriate, convert vacant space for use as enhanced common living areas and services for the remaining residents, or to alternative levels of long term care, such as assisted living or adult day health care programs
- Costs necessary to support functions and activities that will enable applicants to orderly and systematically implement a closure or downsizing plan to either decommission or downsize nursing home buildings to take beds out of service in particular areas. The objective of such projects should be to remove operational and closing cost expense barriers, which may impede efforts to downsize

Awards for HEAL NY Phase 8: Residential Health Care Facility (RHCF) Rightsizing Demonstration Program

Applicant Name	Award Amount	Project Name
Central		
Presbyterian Home for Central New York, Inc.	\$1,700,000	This project will modernize and reduce capacity at the unique Parkinson program which will result in a less restrictive environment.
Folts Homes Inc.	\$900,000	This project will help Folts home and the Mohawk Valley nursing home join in a shared service program that will result in the conversion of 8 nursing home beds to adult day health care slots.
Central Region Awards Total	\$2,600,000	
Hudson Valley		
Schnumacher Center for Rehabilitation and Nursing	\$2,000,000	This project will reduce 25 beds and provide for more efficient and quality care at the facility.
Hudson Valley Region Awards Total	\$2,000,000	
Long Island		
Good Samaritan Nursing Home (Lead Applicant) Our Lady of Consolation Geriatric Care Center, St. Catherine of Siena Nursing Home	\$3,200,000	This project will reduce 100 beds in Suffolk county and help the system collaborate on various rightsizing options including additional hospice residential capacity.
A. Holly Patterson Extended Care Facility	\$5,000,000	This project will reduce capacity in Nassau county by over 260 beds.
Long Island Region Awards Total	\$8,200,000	

Other Potential Vehicles not Typically Used in RI

Other potential sources of capital for specialized long term care physical infrastructure

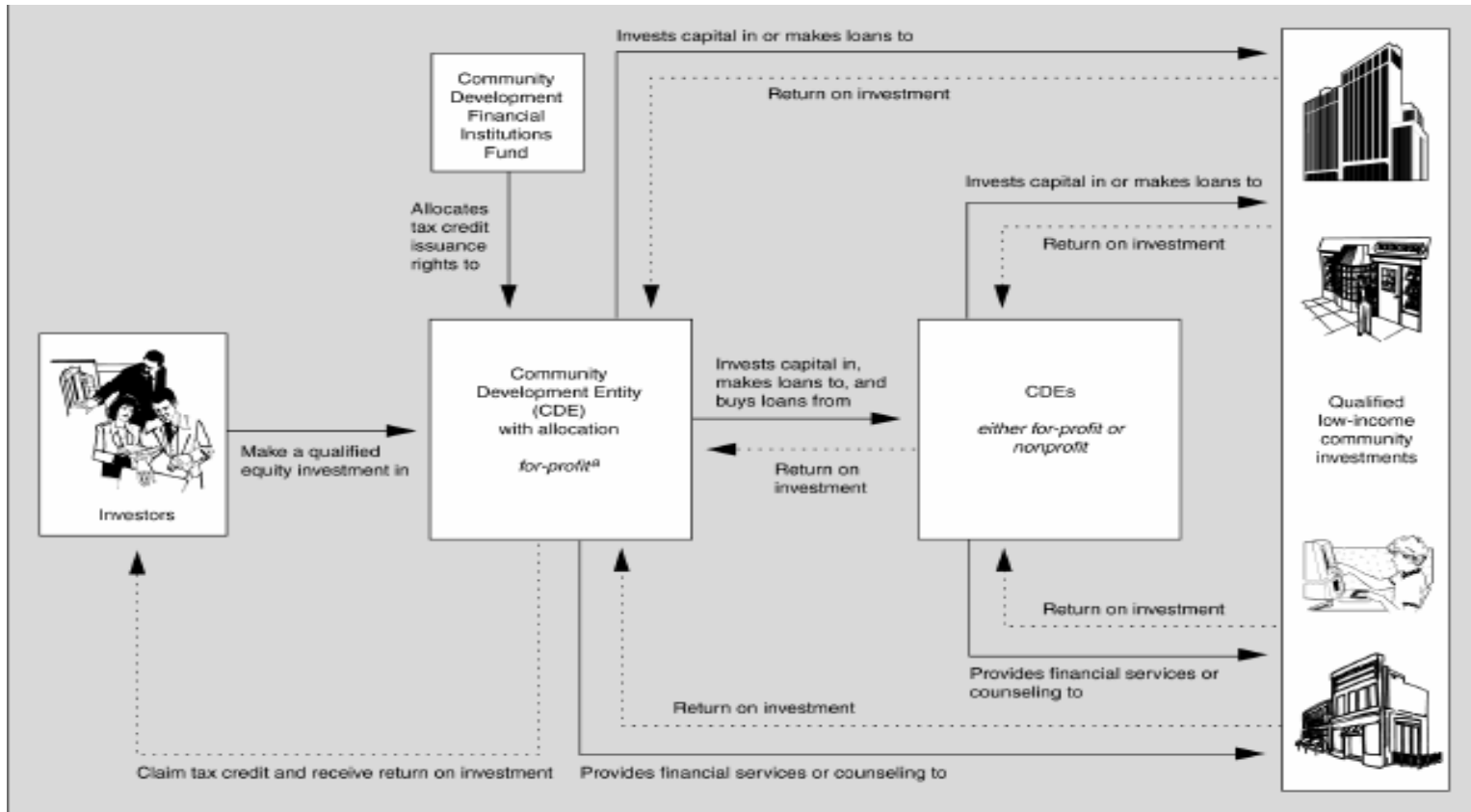
New Market Tax Credits

- New market tax credits were created in 2000 to provide capital to businesses or real estate development projects in qualified distressed neighborhoods and communities
- The enterprise must reside in a qualifying impoverished census tract with permissible zoning parameters
- Recipients of financing through a NMTC must be a qualified active low-income community business defined as follows:
 - a qualified active low-income community business is any corporation (including a nonprofit corporation) or partnership if for such year, among other requirements, (i) at least 50 percent of the total gross income of the entity is derived from the active conduct of a qualified business within any low-income community, (ii) a substantial portion of the use of the tangible property of the entity (whether owned or leased) is within any low-income community, and (iii) a substantial portion of the services performed for the entity by its employees are performed in any low-income community.
- The target population is defined as follows:
 - the term low-income means having an income, adjusted for family size, of not more than (A) for metropolitan areas, 80 percent of the area median family income; and (B) for non-metropolitan areas, the greater of (i) 80 percent of the area median family income; or (ii) 80 percent of the statewide nonmetropolitan area median family income.

Community Development Block Grants

- Across the country CBDG funds are used to support a wide variety of community development initiatives including housing and program support
- For housing projects CDBG can serve an important component in providing project “equity” to improve the debt ratios of housing developments

New Market Tax Credits Funds Flow

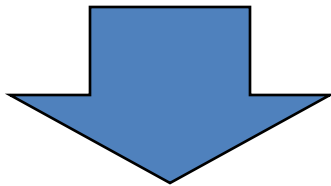


Source: GAO.

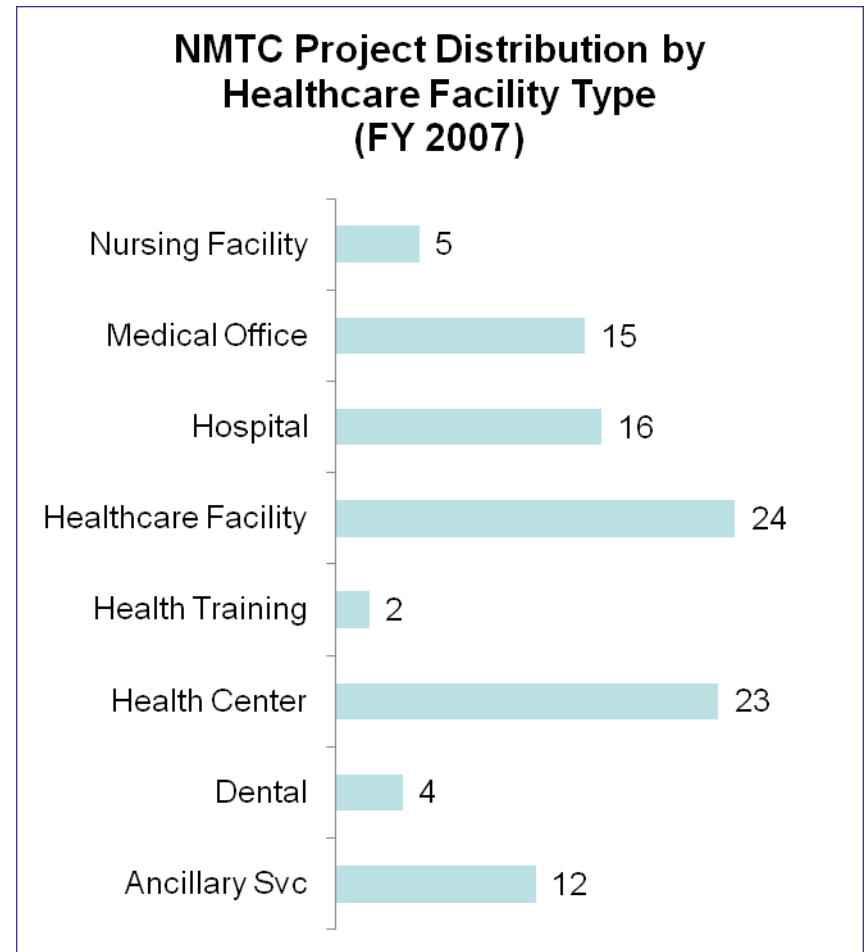
^aOnly a for-profit CDE can receive qualified equity investment from NMTC investors. These CDEs can then make investments in other CDEs that could be for-profit CDEs or nonprofit CDEs or they can directly invest the NMTC funds in low-income communities. However, both for-profit and nonprofit CDEs can receive allocations from the CDFI Fund. If a nonprofit CDE receives a NMTC allocation from the CDFI Fund, it must transfer the allocation authority to a for-profit CDE before NMTC investments can be made.

FY 2007 NMTC National Project Funding for Healthcare Facilities

- 1981 projects received approximately \$9 billion in credits representing 29% of total project costs (approximately \$31 billion)
- 101 Healthcare facilities received approximately 5% of the national total of credits (see chart for breakdown by type)



Note: Depending on structure credits are not necessarily equivalent to financing made available



RI NMTC FY 2007 Utilization

Project	Location	Funder	NMTC	Total Project	% NMTC of Total
COMMERCIAL REAL ESTATE: MIXED USE	PROVIDENCE	Citibank NMTC Corporation	\$ 20,408,163	\$ 152,548,647	13%
General Law Partnership	PAWTUCKET	Rockland Trust Community Development Corporati	\$ 255,000	\$ 255,000	100%
Laundromat	PROVIDENCE	Rockland Trust Community Development LLC	\$ 345,000	\$ 345,000	100%
Lessor Non Residential Buildings	WOONSOCKET	Rockland Trust Community Development Corporati	\$ 189,000	\$ 1,009,000	19%
Lessor of Community Facility	WOONSOCKET	Local Initiatives Support Corporation	\$ 4,127,760	\$ 5,836,765	71%
Lessor of Non Residential Property	PROVIDENCE	Rockland Trust Community Development Corporati	\$ 9,000,000	\$ 20,444,000	44%
Lessor of Non Residential Property	WOONSOCKET	Rockland Trust Community Development Corporati	\$ 925,000	\$ 1,135,000	81%
Lessor of Non Residential Real Estate	PROVIDENCE	Rockland Trust Community Development Corporati	\$ 7,090,000	\$ 12,520,000	57%
Lessor of nonresidential building	WEST WARWICK	Rockland Trust Community Development Corporati	\$ 5,000,000	\$ 12,173,000	41%
Lessor of Office and Retail Space	PROVIDENCE	Local Initiatives Support Corporation	\$ 13,823,127	\$ 69,157,768	20%
Lessor of Retail, Residential and Live/Work Sp	PROVIDENCE	Local Initiatives Support Corporation	\$ 9,072,500	\$ 19,989,600	45%
Lessors of Nonresidential Buildings	PROVIDENCE	National Trust Community Investment Corporation	\$ 7,218,137	.	
Lessors of Nonresidential Buildings	PROVIDENCE	Banc of America CDE, LLC	\$ 13,568,059	\$ 58,000,000	23%
Lessors of Nonresidential Buildings	PROVIDENCE	Banc of America CDE, LLC	\$ 6,517,662	\$ 14,805,376	44%
Lessors of Nonresidential Buildings	PROVIDENCE	Banc of America CDE, LLC	\$ 4,253,000	\$ 7,407,756	57%
Metal Wholesaler	PROVIDENCE	Rockland Trust Community Development Corporati	\$ 1,000,000	\$ 1,255,000	80%
Mixed Use Adaptive Reuse of Historic Mill	PROVIDENCE	Consortium America, LLC	\$ 27,500,000	\$ 63,000,000	44%
Mixed Use Adaptive Reuse of Historic Mill	PROVIDENCE	Consortium America, LLC	\$ 7,000,000	\$ 63,000,000	11%
Mixed-use real estate	PROVIDENCE	Chevron NMTC Fund LLC	\$ 2,787,734	\$ 20,371,375	14%
OFFICE	PROVIDENCE	Wachovia Community Development Enterprises, L	\$ 5,270,000	\$ 11,295,005	47%
Real Estate	PROVIDENCE	Consortium America, LLC	\$ 15,360,000	\$ 69,157,756	22%
Real Estate	WEST WARWICK	Consortium America, LLC	\$ 2,632,707	\$ 12,700,000	21%
Real Estate	PROVIDENCE	Rockland Trust Community Development LLC	\$ 2,336,000	\$ 3,146,000	74%
Real Estate	PAWTUCKET	Rockland Trust Community Development LLC	\$ 350,000	\$ 650,000	54%
Real Estate	PROVIDENCE	Rockland Trust Community Development LLC	\$ 440,000	\$ 600,000	73%
Real Estate Construction and Development	PAWTUCKET	Rockland Trust Community Development Corporati	\$ 1,000,000	\$ 10,135,000	10%
Real Estate HoldingCommercial	PAWTUCKET	Rockland Trust Community Development Corporati	\$ 450,000	\$ 450,000	100%
Real Estate Rental	PROVIDENCE	Consortium America, LLC	\$ 2,681,495	\$ 5,969,677	45%
Retail and Office	PROVIDENCE	usbcd, llc	\$ 12,020,000	\$ 27,380,000	44%
Retail Shopping Center	WOONSOCKET	National New Markets Tax Credit Fund, Inc	\$ 3,250,000	.	
Total			\$ 185,870,344	\$ 664,736,725	28%

Source: US Treasury CDFI database

Example of use of NMTC in financing innovative LTC facilities

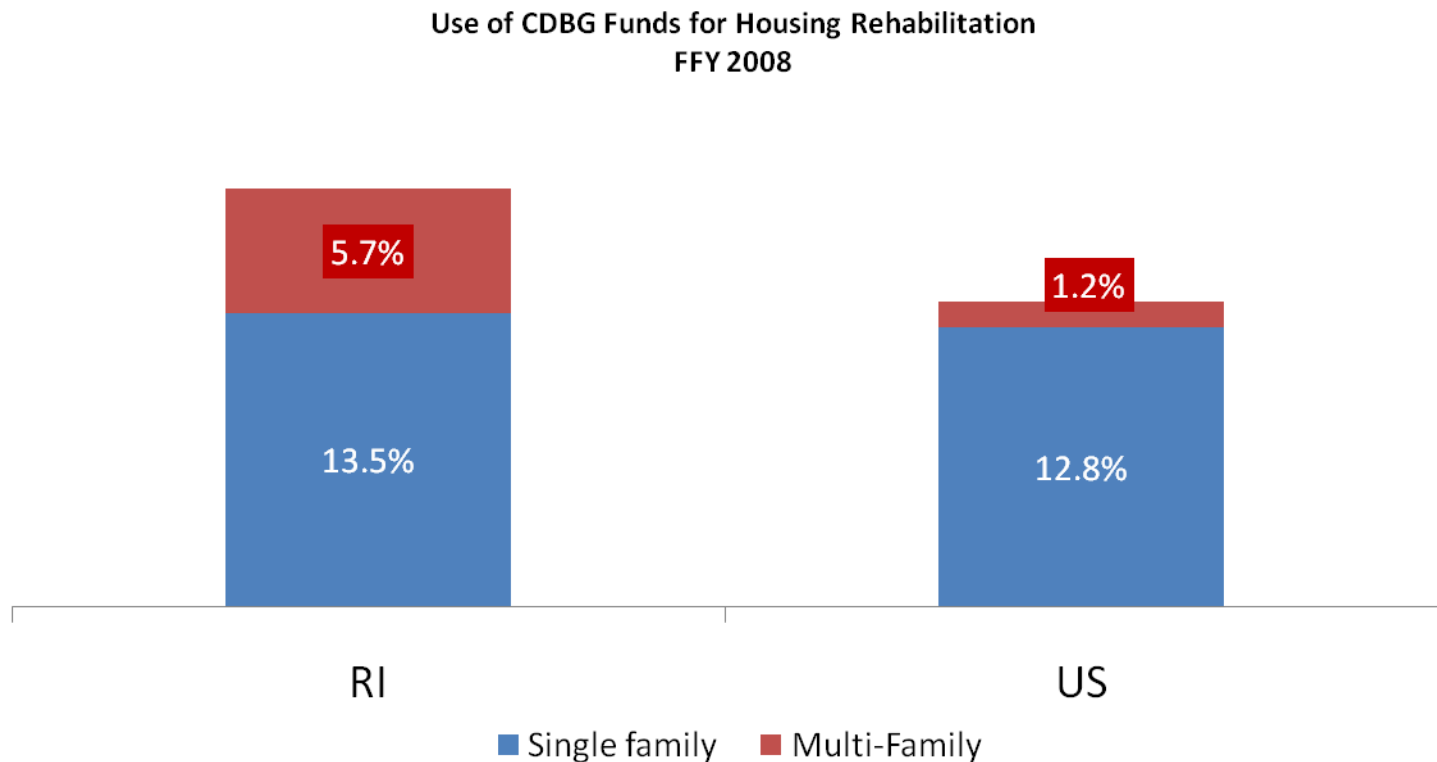


An architectural rendering of the Leonard Florence Center for Living, to be built in Chelsea, Mass. (DiMella Shaffer Associates)

- 100 unit “green house” – first NH CON issued in Massachusetts in 10 years
- 20 beds are allocated to highly specialized patient groups
 - One set of 10 units is the first and only in existence in the US facility dedicated to permanent residence for ALS patients
 - Another 10 units will be dedicated to MS patients
 - These units have built-in assistive devices and sensor technology to support independent living and mobility within the complex
- Revenue mix anticipated to be 50% Medicaid
- \$29 million in new market tax credits allocated to project
- NCB Capital lead financing entity – lead developer in Green House Rapid Replication program of RWJ Foundation
- Tax credit financing in part provided by MASS Housing Investment – a CDE subsidiary of the MASS equivalent to RI Housing
 - There is no CDE specific to RI
 - RI is served by several national CDE

RI and key entitlement communities used approximately \$2.9 million or about 19% of their CDBG funds toward housing

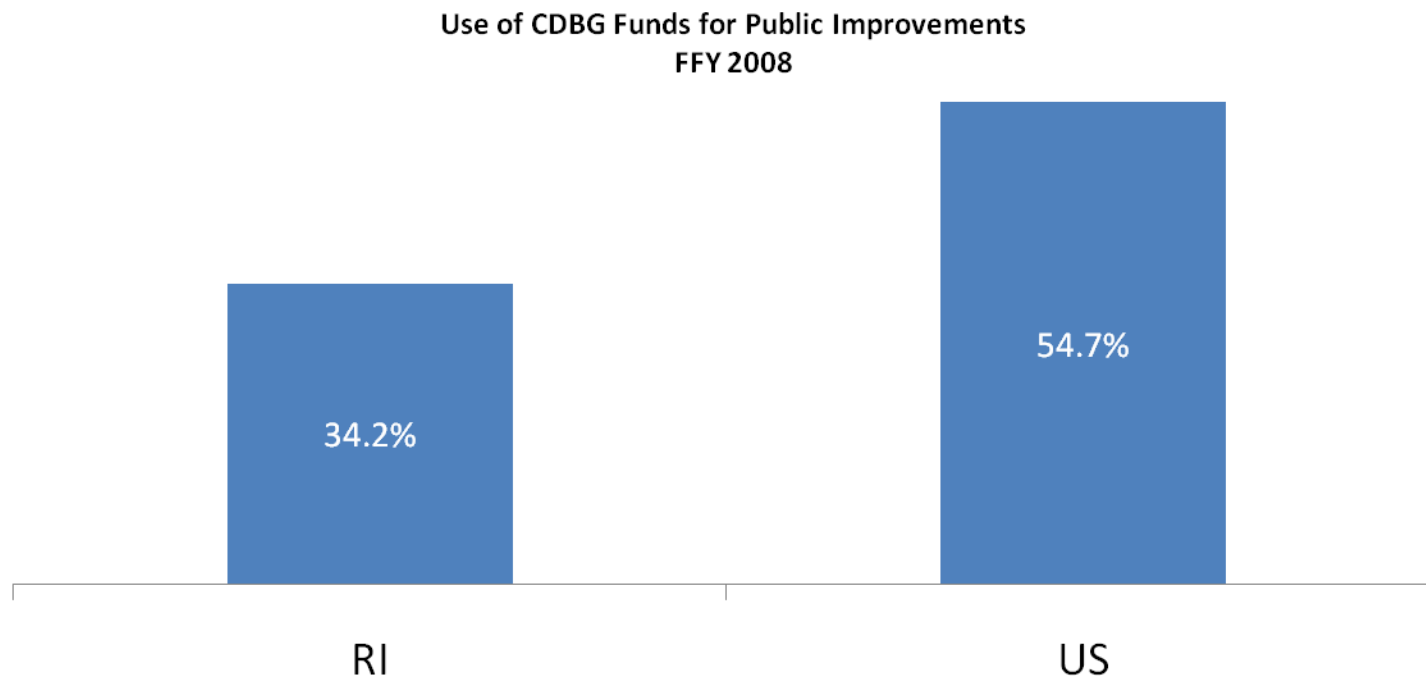
- RI includes balance of state plus Providence and Pawtucket which represents bulk of entitlement communities with total annual CDBG resources of approximately \$15.5 million
- It should be noted that neither Providence nor Pawtucket utilized CDBG funds for housing rehab



Source: NP analysis of CDBG fund use by matrix code

RI and key entitlement communities used approximately \$5.3 million or about 34% of their CDBG funds toward public improvements

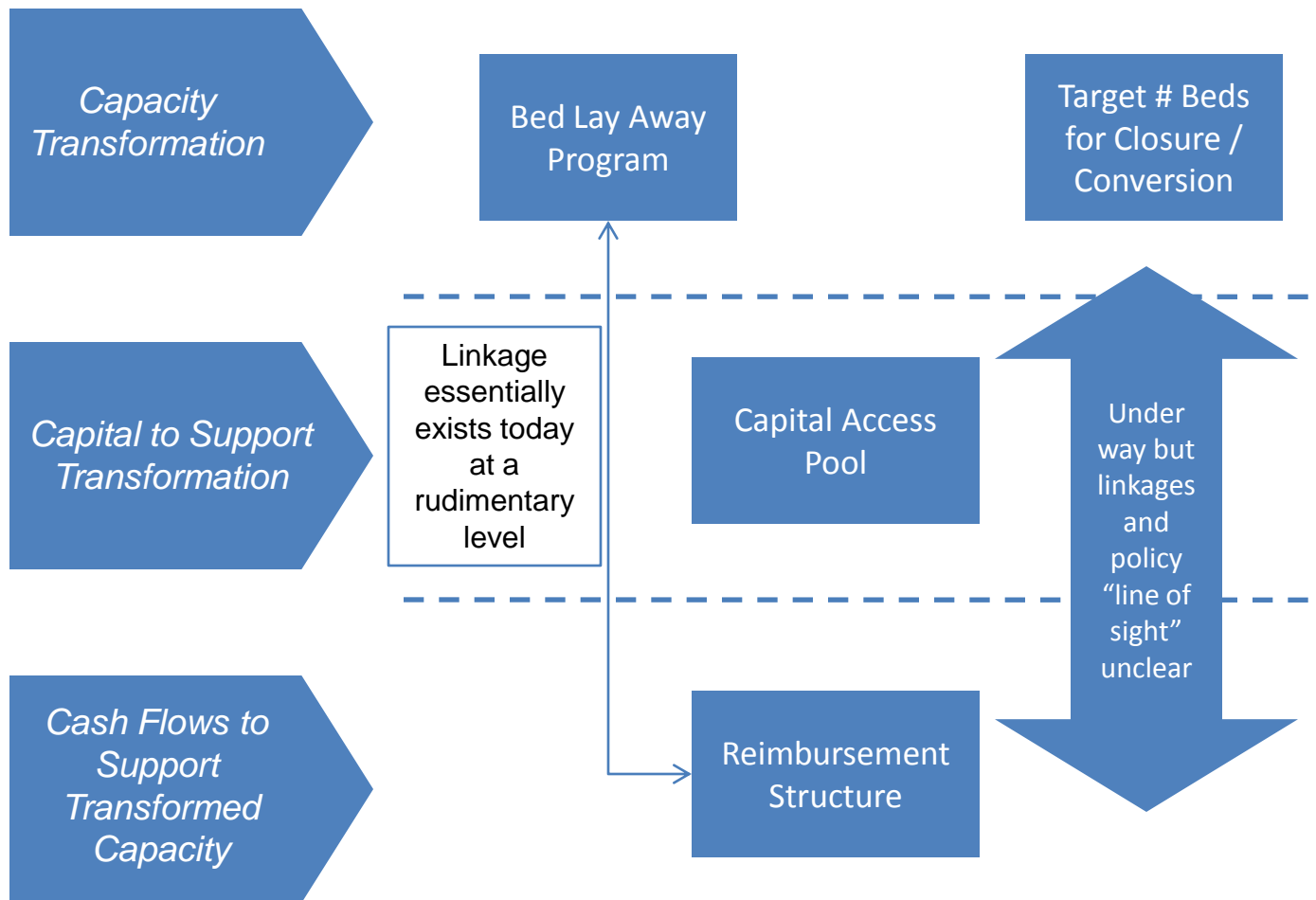
- Public improvement category spending can be used on public facilities such as homeless shelters, health care services, disabled and handicapped populations
- It cannot be used for operating expenses
- Achieving the national level of allocation would provide an extra \$3.07 million in funding
- EOHHS would need to enter into cooperative agreements with the entitlement communities and coordinate with the Governor's office for the state controlled portions



Source: NP analysis of CDBG fund use by matrix code

Moving Forward

Integrated conceptual strategy framework for a RI closure / conversion program to assist in rebalancing the system



Issues for consideration and “to – do’s”

- Italicized and underlined words indicate activities that are presently occurring
- Once these issues have been resolved a RFP may be the most appropriate approach

