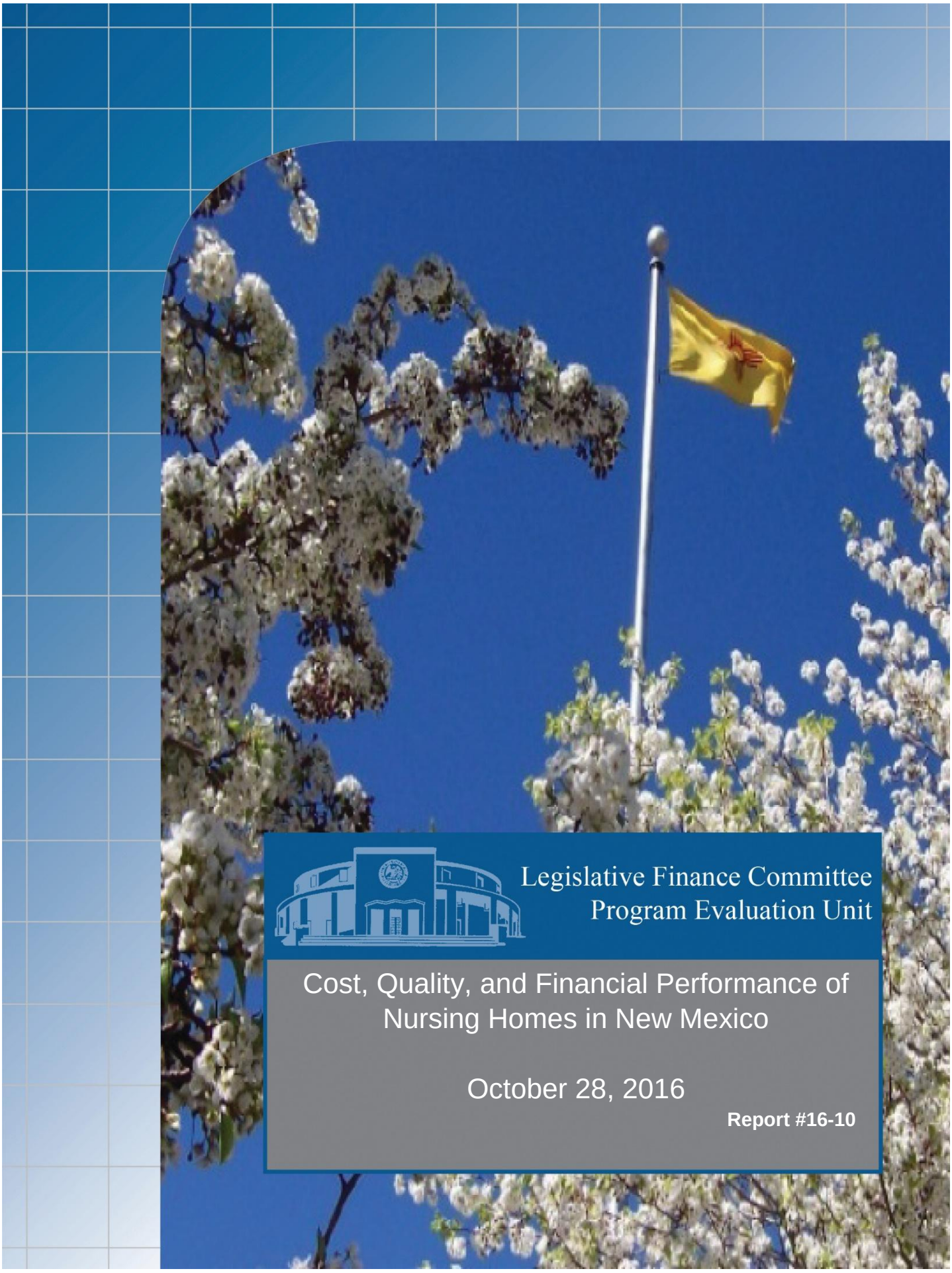

Legislative Finance Committee
Program Evaluation Unit

Cost, Quality, and Financial Performance of Nursing Homes in New Mexico

October 28, 2016

Report #16-10

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David Abbey
Director

October 28, 2016

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Aging and Long-Term Services Department
2550 Cerrillos Road
Santa Fe, New Mexico 87505

Dear Secretary Earnest, Secretary-Designate Gallagher, and Secretary Copeland:

On behalf of the Legislative Finance Committee, I am pleased to transmit the program evaluation *Cost, Quality, and Financial Performance of Nursing Homes in New Mexico*. The evaluation reviewed the state of New Mexico's nursing home industry, including issues regarding cost of care, Medicaid funding, and quality and staffing measures.

The report will be presented to the Committee on October 28, 2016. An exit conference to discuss the contents of the report was conducted with the Human Services Department, Department of Health, and Aging and Long-Term Services Department on October 21, 2016. The Committee would like a plan to address the recommendations of this report within 30 days from the date of the hearing.

I believe that this report addresses issues the Committee asked us to review and hope New Mexico's nursing homes and their residents will benefit from our efforts. We very much appreciate the cooperation and assistance we received from your staff.

Sincerely,

David Abbey

David Abbey, Director

Cc: Senator John Arthur Smith, Chairman, Legislative Finance Committee
Representative Jimmie C. Hall, Vice-Chairman, Legislative Finance Committee
Ms. Duffy Rodriguez, Secretary-Designate, Department of Finance and Administration
Mr. Keith Gardner, Chief of Staff, Office of the Governor
Mr. Timothy Keller, State Auditor

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EXECUTIVE SUMMARY

LEGISLATIVE FINANCE COMMITTEE

Costs and quality issues are growing concerns for New Mexico's nursing homes

By 2030 New Mexico will move from 16th in the nation to fourth in the percentage of people aged 65 or older, according to U.S. Census projections. As the population ages, more people are faced with the prospect of moving either themselves or a family member into a nursing home, underscoring the need to monitor the cost and quality of nursing homes in New Mexico. The number of individuals living in New Mexico nursing homes declined by 12 percent over the last five years as options for home and community-based care have expanded under Centennial Care. As such, nursing homes are caring for residents who are gradually becoming more dependent on others for activities of daily living, leading to higher costs of care. This has considerable implications in New Mexico, where 64 percent of nursing home residents rely on Medicaid to pay for their care.

Approximately 5,500 New Mexicans resided in nursing homes in CY15.

This evaluation reviewed the costs, quality, and financial performance of nursing homes in New Mexico. The evaluation found that Medicaid and other patient revenues are not keeping up with the rising cost of care in nursing homes. Despite roughly $49 million in additional funding for long-term services rate increases since FY13, Medicaid covers a decreasing percentage of daily nursing home costs, and nursing homes in New Mexico lost an average of 2 percent of patient revenues in CY15. Additionally, the state can improve payment and resident screening methodologies to more accurately reflect patient needs and predict costs.

Medicaid nursing home rates for the most common level of care were equivalent to 85 percent of the daily cost for a nursing home to care for a patient in CY14.

Care and staffing issues affect the overall quality of nursing homes. Issues with quality of care are the most common source of deficiencies in New Mexico nursing facilities, and the state has seen declines in several key nursing home quality measures in recent years. New Mexico nursing homes were assessed $461 thousand in civil monetary penalties due to health or safety violations in CY15. Additionally, nursing homes in New Mexico provide fewer overall staffing hours per resident than the nation and its neighboring states.

On average, New Mexico nursing homes provide fewer overall staffing hours per resident than the nation and its neighboring states.

This report recommends the Human Services Department (HSD) consider pursuing a reimbursement system for nursing homes that takes into account additional categories of patient acuity, as well as provider quality and performance. Legislative Finance Committee (LFC) staff also recommends the Department of Health (DOH) work with LFC and the Department of Finance and Administration (DFA) to create Accountability in Government Act performance measures to track nursing home quality outcomes.

KEY FINDINGS AND RECOMMENDATIONS

As the cost of nursing home care rises, Medicaid and other patient revenues are not keeping up.

As nursing home utilization declines overall, Medicaid patients are making up a larger portion of nursing home care. While the overall number of nursing home patient days fell 4 percent between CY11 and CY14, the rate of Medicaid utilization has gradually increased. Meanwhile, changes in how patient level of care is determined for Medicaid reimbursement has resulted in a shift in utilization toward patients with a lower level of care determination, which are paid at lower rates.

Meanwhile, the average costs for nursing homes to care for patients are growing. Depending on the type of facility (public or private) and level of care (high or low), the average cost of care increased between 9 percent and 26 percent from CY11 to CY14.

Funding for Medicaid long-term services rate increases has totaled roughly $49 million since FY13. Medicaid fee-for-service rates for nursing homes increased by 20 percent since FY08, which has contributed to increases in managed care capitation rates for long-term services and supports. However, the extent to which these increases have translated to revenues to cover the costs of care are not clear, as Medicaid is covering a decreasing percentage of daily patient costs. This has affected financial performance, as nursing homes have gone from an average net gain of 4 percent to an average loss of 2 percent between CY13 and CY15.

New Mexico may be able to more accurately predict costs and patient trends by implementing a reimbursement system based on resource utilization groups (RUGs). Similar systems are used in 35 other states, as well as by Medicare, and classify patients based on many categories of acuity, rather than the two-tiered high-low model used in New Mexico.

Care and staffing issues affect the overall quality of nursing homes in New Mexico.

Issues with quality of care are the most common source of deficiencies found in New Mexico's nursing homes, accounting for 12 percent of deficiencies reported in surveys since CY13. Additionally, New Mexico has been above the national average in deficiencies for actual harm or immediate jeopardy since FY09, and has consistently performed in the bottom five states for citations for substandard quality of care. Ten nursing homes account for over half of the most severe deficiencies statewide.

The number of New Mexico nursing homes achieving a five-star quality rating from the Centers for Medicare and Medicaid Services (CMS) has decreased by over 50 percent from 2013 to 2015, owing in part to changes in the methodology used to determine the ratings. Meanwhile, New Mexico has shown improvement in several key quality measures, including lower percentages of residents experiencing falls, reporting moderate to severe pain, and receiving antipsychotic medications. Complaints from nursing home residents to the long-term care ombudsman have also trended downward in recent years.

Research indicates a significant relationship between higher nurse staffing levels, particularly for registered nurses, and better quality of care. However, New Mexico nursing homes provide fewer overall staffing hours per resident than the nation and neighboring states, with residents of private nursing homes receiving between 19 and 31 fewer minutes per day of direct care staffing than the U.S. as a whole.

Key Recommendations

The Human Services Department should:

Continue evaluating the application of a RUG-based case mix reimbursement system and consider pursuing a Medicaid state plan amendment to implement such a system for determining nursing facility reimbursement rates based on additional categories of patient acuity.

Consider payment mechanisms that take into account quality and performance in nursing facilities, including expanding value-based purchasing to nursing facilities and other incentives or rate structures based in part on patient outcomes and quality measures such as staffing.

The Department of Health should:

Work with LFC and DFA staff to create Accountability in Government Act performance measures to track nursing home quality outcomes, including the percentage of deficiencies resulting in actual harm or immediate jeopardy and number of staffing hours per patient day.

Nursing homes in New Mexico have fewer residents, but patient needs are becoming more acute

Overview of nursing homes in New Mexico

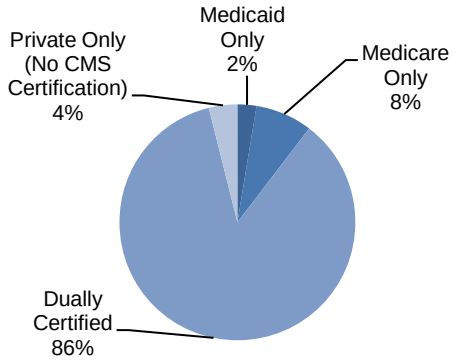
New Mexico has 77 nursing homes licensed by the Department of Health's Division of Health Improvement (DHI) (Appendix B). Five of these are publicly run facilities, while the rest are privately owned. Nursing homes provide services such as:

- Skilled nursing or medical care and related services;
- Rehabilitation needed due to injury, disability, or illness; and
- Long-term care, health-related care and services (above the level of room and board) not available in the community, needed regularly due to a mental or physical condition.

A nursing home is normally the highest level of care for older adults outside of a hospital. Nursing homes provide custodial care, including assisting with such necessities as getting in and out of bed, feeding, bathing, and dressing. Nursing homes differ from other senior housing facilities by providing a high level of medical care. A licensed physician supervises each patient's care and a nurse or other medical professional is almost always on the premises. Other medical professionals, such as occupational or physical therapists, are also available. This allows the delivery of medical procedures and therapies on site that would not be possible in other housing.

A nursing home is one of many settings for long-term care, including other services and supports outside of an institution. Nursing facility services are required to be provided by state Medicaid programs for individuals age 21 or older who may require services provided. States may not limit access to the service, or make it subject to waiting lists, as they may for Home and Community Based Services (HCBS). In some cases nursing home care may be more immediately available than other long-term care options.

Chart 1. New Mexico Nursing Homes by CMS Certification Type
(N=77 facilities)

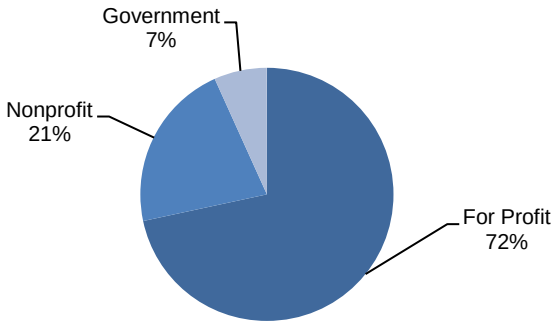


Source: CMS Nursing Home Compare Database, LFC Analysis

Nursing homes may be certified by the federal Centers for Medicare and Medicaid Services (CMS) as a skilled nursing facility (SNF), nursing facility (NF), or both. In general, a SNF is eligible for Medicare payments while a NF is eligible for Medicaid payments. Dually certified facilities may receive both types of reimbursement. Currently, of the 77 nursing homes in New Mexico, 74 are certified by CMS for Medicare, Medicaid, or both. Most nursing homes (86 percent) are dually certified. There are six Medicare-only and two Medicaid-only nursing homes in New Mexico, and three that only receive private payments (Chart 1).

While Medicaid covers long-term stays in nursing homes for patients with ongoing medical needs, Medicare does not. Medicare generally pays only for short-term nursing home care in SNFs, such as a rehabilitation stay after a major surgery or event such as a broken hip.

Chart 2. New Mexico Nursing Homes by Ownership Type as of June 1, 2016
(N=77 facilities)

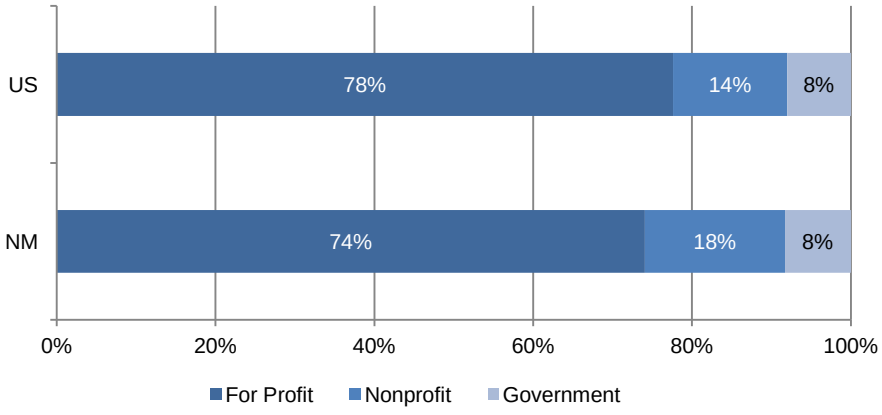


Source: CMS Nursing Home Compare Database

As of June 2016, 53 out of the 74 CMS-certified nursing homes in the state, or 72 percent, are for-profit nursing homes. Another 16 facilities, or 21 percent, are owned by nonprofit entities, and five nursing homes, or 7 percent, are government-owned, including three state facilities. Of the 53 for-profit nursing homes in New Mexico, 45 are classified by the Centers for Medicare and Medicaid Services (CMS) as being owned by a corporation, while three are owned by an individual, and five by a partnership. Of the 16 nonprofit facilities, 12 are owned by a nonprofit corporation, two are owned by a church-related organization, and two are owned by some other nonprofit organization. Of the five government facilities, three are state-owned, one federal, and one a public hospital district.

New Mexico has 7,130 nursing home beds certified by CMS as of June 2016. About 5,300 of these (74 percent) are in private, for-profit facilities. Another roughly 1,250 (18 percent) are in nonprofit nursing homes, with the remaining approximately 600 (8 percent) in public nursing homes. Nationwide, a slightly larger proportion of beds, 78 percent, are in for-profit nursing homes, while a slightly smaller proportion, 14 percent, are in nonprofit nursing homes (Chart 3).

Chart 3. Percent of Certified Nursing Home Beds by Ownership Type as of June 1, 2016

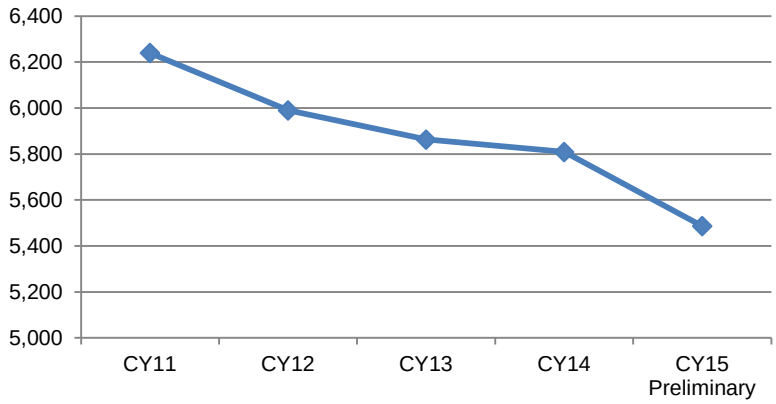


Source: LFC Analysis of CMS Nursing Home Compare Database

Characteristics of New Mexico nursing home residents

Between CY11 and CY15, the average number of residents in New Mexico's nursing homes fell by 12 percent, from roughly 6,200 to just under 5,500 (Chart 4). Note that CY15 population data is preliminary and unaudited, based on LFC analysis of publicly available CMS Nursing Home Compare annual data.

Chart 4. Number of Residents in New Mexico Nursing Homes, CY11-CY15



Source: 2015 CMS Nursing Home Data Compendium (CY11-CY14 data) and 2015 Annual CMS Nursing Home Compare Dataset (CY15 data)

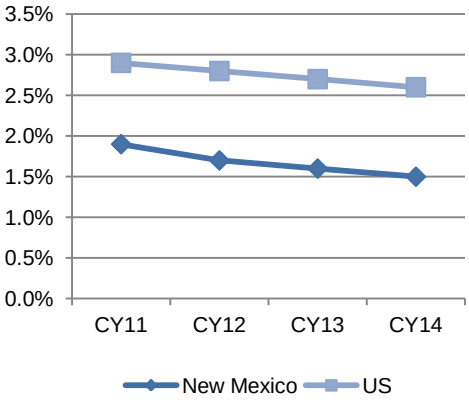
As shown in Table 1, compared to all its neighboring states and the nation as a whole, New Mexico had a larger change in its nursing home population between CY11 and CY15, at negative 12 percent. Colorado was the only one of these states not to show a decrease in its nursing home population during this period, as its population remained steady.

Table 1. Percent Change in Nursing Home Population, U.S., New Mexico and Neighboring States

State	% Change, CY11-CY15
New Mexico	**-12%**
Texas	-8%
Arizona	-8%
Utah	-7%
U.S.	-5%
Oklahoma	-4%
Colorado	0%

Source: 2015 CMS Nursing Home Data Compendium (CY11-CY14 data) and 2015 Annual CMS Nursing Home Compare Dataset (CY15 data)

Chart 5. Percentage of Population Aged 65 or Older who Reside in a Nursing Home



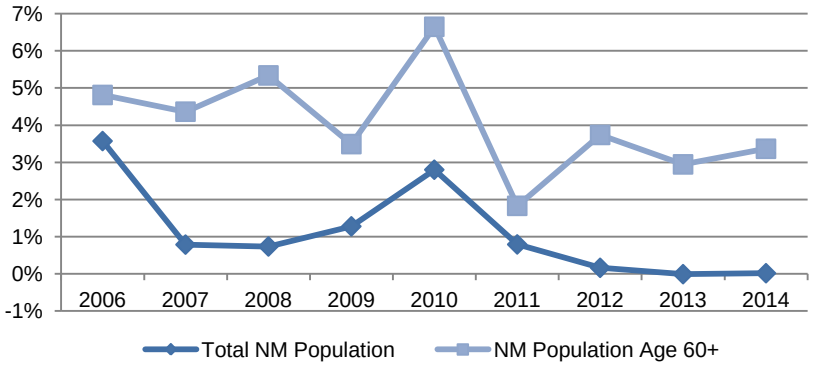
Source: 2015 CMS Nursing Home Data Compendium

Residents aged 65 or older make up approximately 84 percent of the nursing home population in both New Mexico and the U.S. as a whole. As of CY14, about 2 percent of New Mexicans aged 65 or older reside in a nursing home, compared to 3 percent nationally. Overall, as shown in Chart 5, the percentage of adults aged 65 or older who reside in nursing homes has been gradually declining in recent years, partially due to greater longevity and a growing desire among this population to remain at home.

Today, there are more Americans over the age of 65 than at any other time in U.S. history. Between 2010 and 2030, the population of senior citizens will increase by 75 percent to 69 million, meaning one in five Americans will be a senior citizen; in 2050, an estimated 88.5 million people in the U.S. will be aged 65 and older, according to U.S. Census projections. This trend is occurring as New Mexico's population age 60 or over continues to grow faster than the state as a whole. As seen in Chart 6, the population of New Mexicans age 60 or over is increasing faster than the state's population as a whole. In 2014, the population in the 60-and-over age group increased by over 3 percent, compared to virtually no growth in the overall state population.

In 2013, the state experienced a very slight decrease (-0.01 percent) in population, while the 60-and-over age group increased 3 percent. Overall, the state's population has increased by 11 percent since 2005, while the number of those aged 60 and over has grown by 43 percent during the same period. This difference in growth between the aging population and the state in general has considerable implications for the healthcare environment in New Mexico, and particularly for nursing facilities.

Chart 6. Annual Percentage Change in Population, 2006-2014



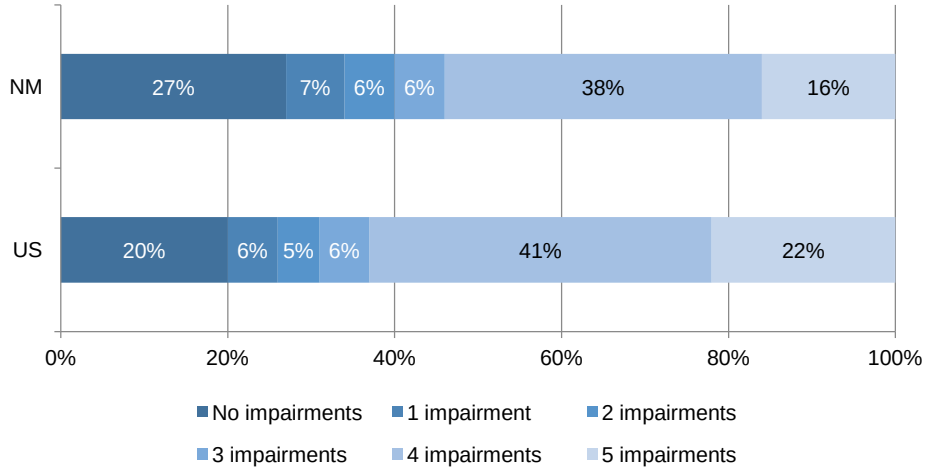
Source: LFC Analysis

Nursing home patients in New Mexico have become less self-sufficient as measured by the number of activities of daily living (ADL) they are able to perform, such as eating, dressing, bathing, toileting, and transferring (such as from a bed to a wheelchair). As of CY14, the most recent year for which data is available, roughly 73 percent of New Mexico nursing home patients have at least one ADL impairment, up from 72 percent for each of the preceding three years. Thirty-eight percent had four impairments, and 16 percent had five or more impairments (Chart 7). This gradually increasing

acuity among nursing home residents suggests that as the number of residents drops, those who remain are likely to require more intensive care.

New Mexico nursing home residents still have less acute needs than the nation as a whole, however. The majority, 54 percent, of New Mexico nursing home residents have at least four ADL impairments which is under the national average of 63 percent. New Mexico also exceeds the national percentage of nursing home residents with no impairments by seven percentage points, as shown in Chart 7.

Chart 7. Percent of Nursing Home Residents by Number of ADL Impairments, CY14

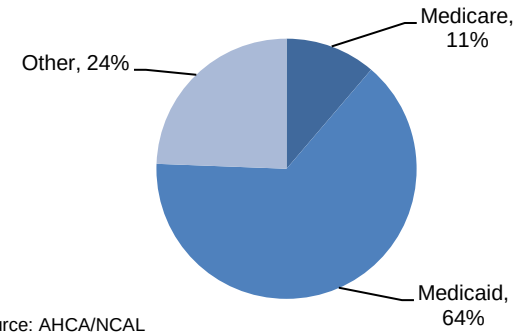


Source: 2015 CMS Nursing Home Data Compendium

Nursing home payer mix

According to March 2016 data from the American Health Care Association and National Center for Assisted Living (AHCA/NCAL), Medicaid pays for 64 percent of nursing home residents in New Mexico. Medicare pays for 11 percent, while other sources, such as private insurance or private payments, cover 24 percent (Chart 8). Nationally, 62 percent of nursing home residents are paid for by Medicaid, while Medicare covers 14 percent and other sources pay for 24 percent.

Chart 8. Percent of New Mexico Nursing Home Residents by Payer as of March 2016



Source: AHCA/NCAL

Legislation

Legislation affecting nursing homes and their residents has varied from the 1983 Coordinated Community In-Home Care Act, which provided New Mexicans with the ability to receive long-term care at home, to the 2010 Continuing Care Act. Table 2 lists key state legislation impacting nursing homes and long-term care.

Table 2. New Mexico Nursing Home Legislation

Year	Legislation	Summary
1983	Coordinated Community In-Home Care Act	Afforded opportunity to apply for Medicaid waivers to provide long-term services at home and in the community.
1998	Interagency Committee on Long-Term Care	Required leaders in multiple agencies of state government of coordinate and address long-term care issues.
2002	Senior Prescription Drug Program	Statute created a program to provide seniors low-cost options for purchasing prescription drugs. (Predated Medicare Part D drug benefit).
2004	340B Drug Program	Required Medicaid to promote enrollment of eligible entities in federal 340B prescription drug purchasing program.
2004	Patient Monitoring Act	Enabled families to authorize use of monitoring devices or “granny cams” to record level of care in a nursing facility.
2004	Aging and Long-Term Services Department	Created the Aging and Long-term Services Department.
2006	Money Follows the Person	Allowed Medicaid eligible person residing in a nursing home to choose to receive care at home or in the community.
2007	Adult Protective Service Act	Clarified and strengthened provisions of existing Act to grant further protections to vulnerable adults at risk of, or experiencing abuse, neglect, or exploitation.
2010	Resident Abuse and Neglect Act	Extended protections from abuse, neglect and exploitation that occur in nursing facilities to private residences where care is provided.
2010	Continuing Care Act	Required greater transparency from continuing care communities, ensuring fiscal responsibility and viability.

Source: Kaiser Family Foundation

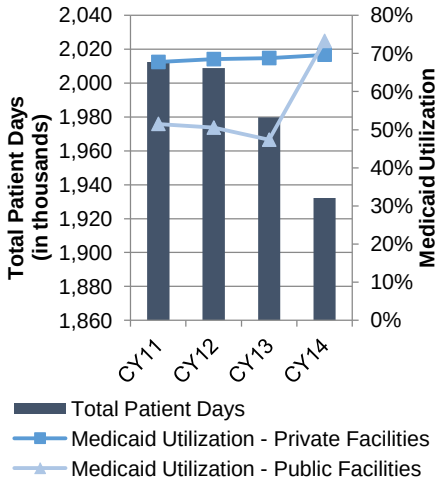
As the Cost of Nursing Home Care Rises, Medicaid and Other Patient Revenues Are Not Keeping Up

As nursing home utilization declines overall, Medicaid patients are making up a larger portion of nursing home care

The 74 nursing homes in New Mexico certified by the Centers for Medicare and Medicaid Services (CMS) reported a total of 1.93 million patient days in CY14, down 4 percent from CY11 (Chart 9). The average daily cost of care that year was approximately $231 per resident, regardless of payment source, according to LFC staff analysis of cost data produced for HSD by the accounting firm Myers and Stauffer. One patient day is equivalent to one patient residing in a nursing facility for one day. Meanwhile, the number of Medicaid patient days has grown slowly, increasing 1 percent during the same period. These trends are indicative of a shift in preference from institutional care settings such as nursing homes to home and community-based services. According to HSD, the percentage of Medicaid long-term services members receiving care in a nursing facility decreased from 20 percent in CY09 to 14 percent in CY15.

However, Chart 9 also shows Medicaid utilization, as a percentage of total patient days attributable to Medicaid patients, grew from 68 percent to 70 percent for private nursing homes and from 51 percent to 73 percent for public nursing homes. While the increase at public nursing homes is reflective of improved billing at these facilities, an unknown portion of the change is also due in part to underreporting of patient days at Fort Bayard Medical Center from CY11 to CY13, as discussed later in this report.

Chart 9. Total New Mexico Nursing Facility Patient Days, CY11-CY14



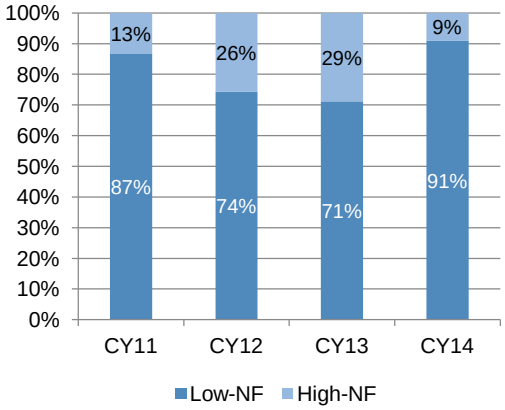
Source: 2013-2015 Myers & Stauffer New Mexico Medicaid Nursing Facility Cost Reports

Changes in Medicaid level of care determination criteria have resulted in a shift of patients from high to low level of care for purposes of reimbursement

Currently, nursing facility residents in New Mexico can receive a designation of either high nursing facility (high-NF) level of care or low nursing facility (low-NF) level of care, depending on the resident's condition and needs. These levels of care are used by HSD and managed care organizations (MCOs) to determine the level of Medicaid reimbursement a nursing home receives for a given patient.

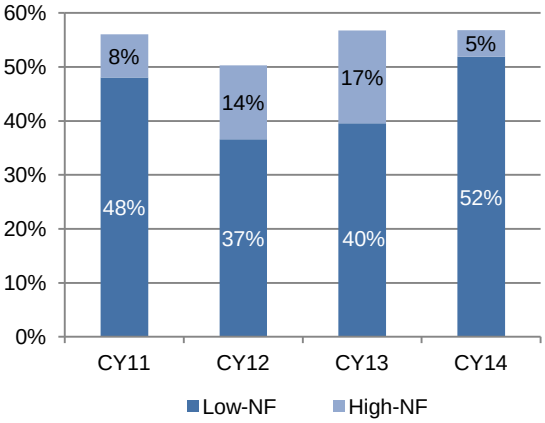
Low-NF patients make up the bulk of nursing home residents, accounting for 91 percent of total Medicaid patient days in nursing homes in CY14. However, while the percentage of low-NF patients decreased from CY11 to CY13 and the percentage of high-NF patients grew during the same period, this trend reversed in CY14 coincident to the implementation of Centennial Care and changes to the level of care determination criteria (Chart 10). These include increasing the number of specific high-NF-eligible conditions a resident must satisfy from one to two, as well as narrowing certain criteria for medication administration eligible for a high-NF level of care.

Chart 10. Percent of Medicaid Patient Days by Nursing Facility Level of Care, CY11-CY14



Source: 2013-2015 Myers & Stauffer New Mexico Medicaid Nursing Facility Cost Reports

Chart 11. Percent of Available Bed Days Occupied by Medicaid Patients - Private Nursing Homes



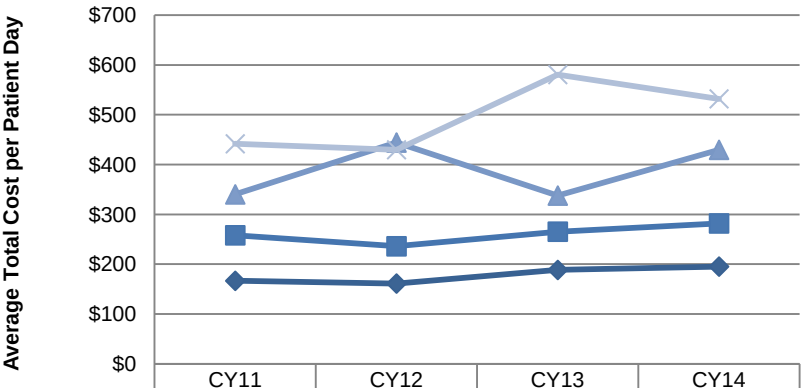
Source: 2013-2015 Myers & Stauffer New Mexico Medicaid Nursing Facility Cost Reports

In CY14, private facilities accounted for 93 percent of the 1.9 million patient days residents spent in nursing homes. Of these, 57 percent of available bed days in private nursing homes were occupied by Medicaid residents, the same as CY13. However, a substantial shift occurred in the mix of level of care determinations of these patients. In CY13, 40 percent of bed days were occupied by low-NF Medicaid patients, compared to 52 percent in CY14. Meanwhile, the changes in level of care criteria caused the high-NF Medicaid occupancy rate to fall from 17 percent to 5 percent (Chart 11).

In state-owned nursing homes, meanwhile, the overall Medicaid occupancy rate grew from 42 percent in CY11 to 51 percent in CY14. Once again, this is at least partially attributable to improving billing practices, including rectification of previous undercounting of Medicaid days at Fort Bayard Medical Center in CY14.

The effect of level of care criteria changes on costs remains unclear, as the average daily cost of nursing home care grew between 9 percent and 26 percent from CY11 to CY14. To analyze the cost of care in New Mexico nursing homes, LFC staff reviewed annual cost reports produced for HSD by the certified public accounting firm Myers and Stauffer. Low-NF patients in private nursing homes have the lowest average daily cost of care, while high-NF patients in public nursing homes have the highest average daily cost of care. In CY14, the most recent year for which complete cost data is available, it cost a private nursing home an average of $195 per day to care for a low-NF patient. This is 17 percent greater than the $166 per day it cost in CY11. Meanwhile, the average cost for a private nursing home to care for a high-NF patient increased 9 percent, from $258 to $282 per day. In public facilities, costs grew by 26 percent for low-NF patients, from $340 to $429 per day, and by 20 percent for high-NF patients, from $442 to $532 per day.

Chart 12. Total Nursing Home Cost per Patient Day by Facility Type and Level of Care, CY11-CY14

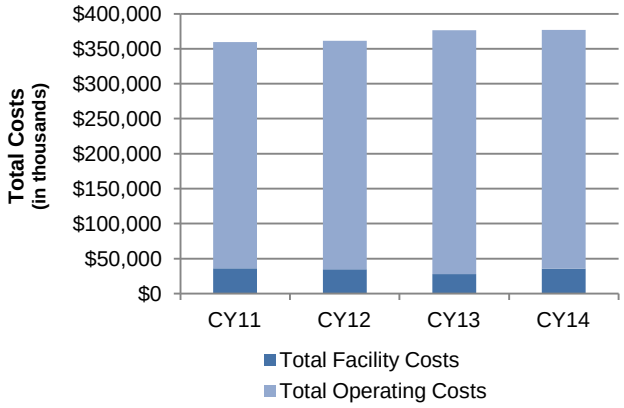


	CY11	CY12	CY13	CY14
Private Low-NF	$166	$161	$188	$195
Private High-NF	$258	$236	$265	$282
Public Low-NF	$340	$444	$338	$429
Public High-NF	$442	$430	$580	$532

Source: 2013-2015 Myers & Stauffer New Mexico Medicaid Nursing Facility Cost Reports

Nursing homes are spending less on facilities and more on health care and other operating costs. Total nursing home expenses were just under $377 million in CY14, including operating and facility costs. Operating costs, comprising health care, room and board, and administrative expenses, made up 91 percent of nursing home expenses in CY14, with the remaining 9 percent consisting of facility capital costs. Overall, nursing home operating expenses grew by 5 percent between CY11 and CY14, compared to a 1 percent decrease in facility expenses (Chart 13).

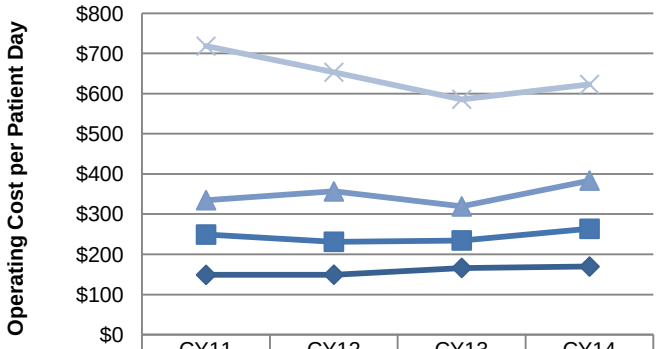
Chart 13. Nursing Home Facility and Operating Costs, CY11-CY14



Source: 2013-2015 Myers & Stauffer New Mexico Medicaid Nursing Facility Cost Reports

Operating costs per patient day vary by the type of facility (public or private) and level of care (high-NF or low-NF). In CY14, these costs ranged from $170 per day for low-NF patients in private nursing homes to $623 per day for high-NF patients in public nursing homes. Between CY11 and CY14, the operating cost per patient day in private facilities grew by 12 percent for low-NF patients and 5 percent for high-NF patients. During the same period, the operating cost per patient day in public facilities increased by 13 percent for low-NF patients, but fell by 15 percent for high-NF patients. The reasons for this discrepancy are unclear, although scaling due to faster growth in the volume high-NF patients in public nursing homes may account for some of the decrease in daily costs relative to private facilities.

Chart 14. Nursing Home Operating Costs per Patient Day by Type of Facility and Level of Care, CY11-CY14



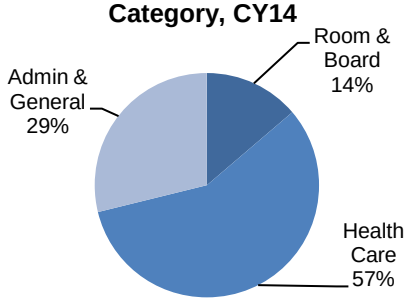
	CY11	CY12	CY13	CY14
Private Low-NF	$149	$149	$166	$170
Private High-NF	$249	$231	$235	$264
Public Low-NF	$335	$357	$319	$384
Public High-NF	$718	$653	$586	$623

Source: 2013-2015 Myers & Stauffer New Mexico Medicaid Nursing Facility Cost Reports

Health care makes up the largest portion of nursing facility operating costs, at 57 percent of private nursing home operating expenses and 50 percent for public nursing homes in CY14. These include the costs of nursing and other medical or therapeutic staff, medical supplies, pharmaceuticals, and other related costs. Room and board, consisting of costs such as housekeeping, laundry and linens, and food and dietary services made up 14 percent of the operating costs of private nursing homes and 12 percent

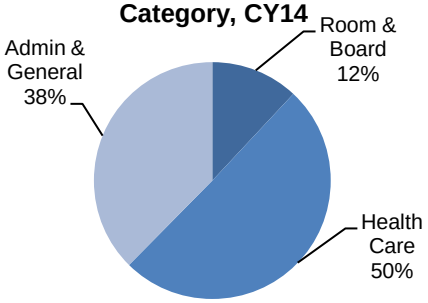
for public nursing homes in CY14. Administrative and general costs, which include back-office functions such as billing and fiscal services, building rent, interest on loans, taxes, and insurance, made up 29 percent of private nursing home operating costs and 38 percent of public nursing home operating costs.

Chart 15. NM Private Nursing Home Operating Costs by Category, CY14



Source: LFC Analysis of 2015 Myers & Stauffer New Mexico Medicaid Cost Report

Chart 16. NM Public Nursing Home Operating Costs by Category, CY14



Source: LFC Analysis of 2015 Myers & Stauffer New Mexico Medicaid Cost Report

Employee salaries make up roughly 40 percent of all nursing home operating expenses in New Mexico, ranging from 28 percent to 55 percent of individual facility operating costs in CY15, according to LFC analysis of data from federal CMS-2540 cost reporting forms. (Note that the CY15 dataset only includes 51 nursing facilities in New Mexico). The average hourly wage for direct care workers in nursing facilities, including registered nurses (RNs), licensed practical nurses (LPNs), and certified nursing assistants (CNAs) has grown by 4 percent since CY13, driven by pay increases among RNs and CNAs, while LPNs actually saw a 1 percent decline in pay (Table 3).

Table 3. Average Hourly Wage of Direct Care Nursing Staff, CY13-CY15

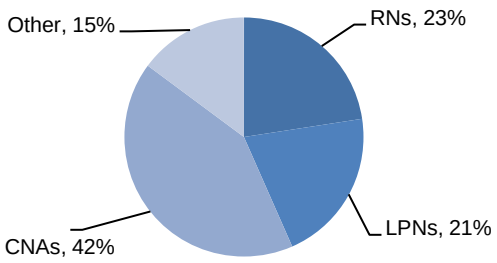
Nursing Occupation	CY13	CY14	CY15	% Change
RN	$33.68	$33.29	$35.15	4.4%
LPN	$31.45	$29.52	$31.15	-0.9%
CNA	$14.18	$14.33	$14.83	4.6%
All	$19.66	$19.96	$20.50	4.2%

Source: LFC Analysis of CMS-2540 Cost Report Data

As illustrated in Chart 17, CNAs constitute the largest portion of the nursing home workforce, making up 42 percent of direct care pay in CY15. Registered nurses were 23 percent, while LPNs were 21 percent. Other direct care staff, such as physical, occupational, and speech therapists and their aides, accounted for 15 percent of all nursing home direct care pay. These figures include both direct salaries and benefits as well as pay for contract employees. Direct salaries made up 89 percent of pay for nursing home direct care staff in CY15, while contract employees accounted for 11 percent of these expenditures. Most direct care contract pay, 79 percent, went toward personnel outside nursing professions. The vast majority (97

percent) of pay for RNs, LPNs, and CNAs came in the form of direct salaries and benefits.

Chart 17. CY15 Nursing Home Spending on Direct Care Salaries by Occupation



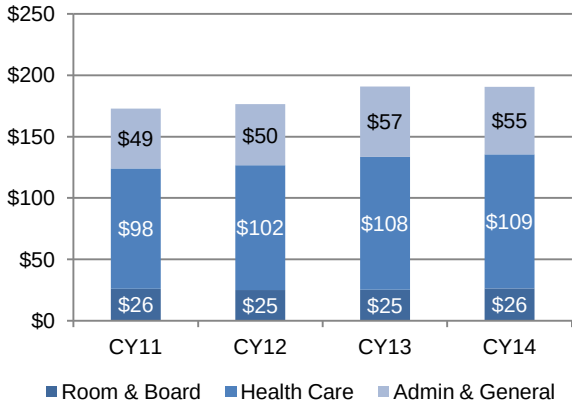
Source: LFC Analysis of CMS-2540 Cost Report Data

Operating costs at New Mexico's public nursing facilities are more than double those at private facilities. In CY14, operating expenses at Fort Bayard Medical Center, the New Mexico State Veterans' Home, and the long-term care facilities at the New Mexico Behavioral Health Institute and Miners' Colfax Medical Center averaged $418 per diem. Meanwhile, the average per diem operating expense at all the private CMS-certified nursing facilities was $191, a difference of $227 per diem.

Charts 18 and 19 illustrate the breakdown of room and board, health care, and administrative and general costs for each type of nursing facility. Health care costs and room and board costs at public nursing homes in CY14 were about twice the cost of private nursing homes, while administrative and general costs were roughly three times as much. Between CY11 and CY14, nursing home operating expenses per diem grew by 10 percent for private facilities, from $173 to $191 and 16 percent for public facilities, from $359 to $418.

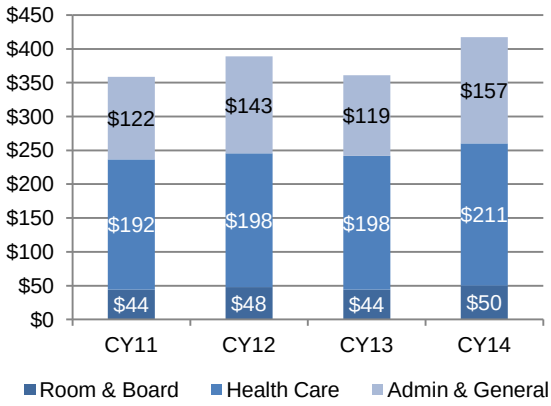
Health care costs per diem grew by 12 percent for private facilities, from $98 to $109, but just 9 percent for public facilities, from $192 to $211. Private nursing home room and board costs remained relatively unchanged, but grew 14 percent, from $44 to $50, at public facilities. The largest changes occurred in administrative and general expenses, which increased 13 percent at private nursing homes and 29 percent at public nursing homes. Public nursing home administrative and general costs were $33 per day higher in CY14 than CY11, compared to $6 per day higher at private nursing homes.

Chart 18. Average Daily Operating Expense by Category, Private Nursing Homes



Source: Myers & Stauffer New Mexico Medicaid Nursing Facility Cost Reports

Chart 19. Average Daily Operating Expense by Category, Public Nursing Homes



Source: Myers & Stauffer New Mexico Medicaid Nursing Facility Cost Reports

Fort Bayard Medical Center underreported patient days for CY11, CY12, and CY13 and is working with HSD and its consultant to correct past cost reports. In its analysis of annual Myers and Stauffer cost reports, LFC staff found a significant discrepancy in the number of patient days reported for public nursing homes that appeared to be attributable to the state-operated Fort Bayard Medical Center. HSD indicated that Fort Bayard incorrectly reported its patient days to HSD for CY11 through CY13, classifying them as private instead of public. This caused underreporting of public patient days on Myers and Stauffer's compiled cost reports as analyzed by LFC staff for this evaluation. As a result of this finding, HSD is working with Fort Bayard and Myers and Stauffer to obtain accurate data for these past years.

Funding for Medicaid long-term services rate increases totaled roughly $49 million since FY13.

Overall, since HSD rebased nursing home fee-for-service (FFS) rates in CY07 for FY08, low-NF rates for private nursing facilities increased by 20 percent, most recently undergoing a 4 percent increase in FY16. High-NF rates for private facilities went up 11 percent, but have not been raised since FY13. For public facilities, low-NF rates have increased a total of 6 percent since FY08, last receiving a 3 percent increase in FY15, while high-NF rates only received a 3 percent increase in FY13. These changes are shown in Table 4. Medicaid sets daily fee-for-service rates for each nursing home that has Medicaid-certified beds. Actual payment rates from the MCOs to nursing homes are negotiated confidentially and are proprietary information.

Table 4. Medicaid FFS Nursing Home Rate Timeline

Facility Type	Level of Care	FY08	FY09-FY12	FY13	FY14	FY15	FY16	FY17	Cumulative Change FY08-FY17
Private	Low-NF	Rebasing	No change	11.27% increase	No change	3.65% increase	4% increase	No change	20%
	High-NF			11.27% increase		No change	No change		11%
Public	Low-NF	Rebasing	No change	3% increase	No change	3% increase	No change	No change	6%
	High-NF			3% increase		No change			3%

Source: HSD

Overall, appropriations associated with Medicaid nursing homes and other long-term services and supports (LTSS) rate increases totaled $49.4 million since FY08. Appropriations from the general fund totaled $15.1 million, and LFC staff analysis estimates Medicaid matching funds of $34.3 million associated with these increases (Table 5). Total Medicaid spending on nursing homes, FFS and MCO expenditures totaled slightly less than $237 million in FY16, up $16 million, or 7 percent from $221 million in FY14, prior to the two most recent HSD rate increases. This increase is roughly 70 percent of the combined state and federal total for LTSS rate increases in FY15 and FY16. A variety of factors contribute to Medicaid nursing home expenditures, including increases in the number of patient days charged to Medicaid, changes in level of care criteria, and the implementation of Centennial Care.

Moreover, not all of the rate increases shown in Table 5 were exclusively for nursing homes. Funds appropriated for LTSS rate increases do include nursing home care, but can also be used for home and community-based services, where an individual who may be determined to have a nursing facility level of care is receiving services at home or in another non-institutional setting. According to the rate certification letters from HSD's Medicaid actuary for CY14 and CY15, which encompasses FY15 rate increases for Medicaid personal care option services and nursing homes, adjustments to personal care option services accounted for a larger change in monthly MCO capitation rates than did nursing home rate adjustments. HSD also proposed excluding nursing facilities from provider rate reductions implemented for FY17.

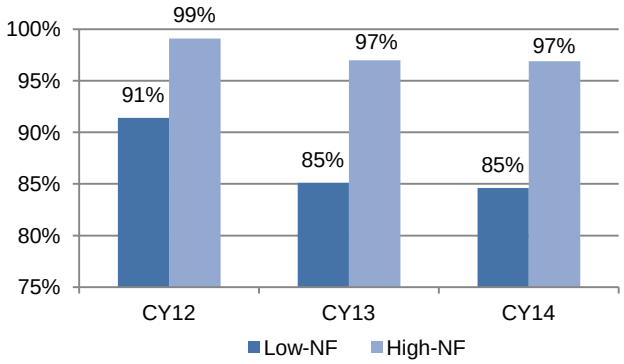
Table 5. Appropriations for Medicaid Long-Term Care Rate Increases since FY13

Fiscal Year	Description	General Fund Appropriation (in thousands)	Estimated Federal Match*	Total Impact of Rate Increases
FY13	Nursing facility rate increase	$8,100.0	$18,088.2	$26,188.2
FY15	Rate increase for Medicaid personal care option and nursing home providers	$5,000.0	$11,474.5	$16,474.5
FY16	Nursing facility rate increase**	$2,000.0	$4,749.9	$6,749.9
	Total	**$15,100.0**	**$34,312.5**	**$49,412.5**

* Based on Federal Medical Assistance Percentages (FMAP) of 69.07% in FY13, 69.65% in FY15, and 70.37% in FY16
** According to HSD, the nursing facility rate increase of 4 percent for FY16 equates to $7.6 million for FY16.
Source: LFC Analysis of FY13, FY15, and FY16 General Appropriation Acts and Post-Session Reviews

Medicaid covers a decreasing percentage of nursing facilities' average daily costs. In CY14, the most recent year for which complete nursing home cost information is available, Medicaid FFS rates were able to cover an average of 85 percent of daily costs attributable to low-NF patients. That is, on average, a facility's low-NF Medicaid FFS rate was equal to about 85 percent of the facility's average low-NF cost per patient day. This is lower than the 91 percent of average low-NF costs that the rate could cover in CY12. For high-NF patients, the FFS rate covered 97 percent of daily costs in CY14, compared to 99 percent in CY12 (Chart 20).

Chart 20. Medicaid Fee-for-Service Rates as a Percentage of Nursing Facility Costs per Patient Day, CY12-CY14



Note: Medicaid rates are based on fiscal year, while nursing home costs are generally based on calendar year
Source: LFC Analysis of Myers & Stauffer New Mexico Medicaid Nursing Facility Cost Reports and HSD Data

The lower percentage of low-NF patient costs that could be covered by Medicaid FFS rates in CY13 and CY14 suggests higher-acuity patients who may incur higher costs are being classified as low-NF rather than high-NF. As low-NF patients make up a majority of Medicaid nursing home residents, a reduction in the amount of costs covered by Medicaid could have a substantial impact on nursing home patient revenues.

New Mexico's Medicaid nursing home rates cover a lower percentage of costs than all its neighboring states and the U.S. as a whole. Consultants to the American Health Care Association (AHCA) produce an annual study of shortfalls in Medicaid funding for nursing home care nationwide and in the states. The 2016 report, which is based on 2015 rates and projected allowable costs, found that nursing home rates cover an average of 89 percent of projected costs nationally. Based on the data in the study, New Mexico's average rate covered 87 percent of projected costs, below the national average and the lowest percentage of all its neighboring states. The highest of these was Colorado, where rates covered 97 percent of costs, as shown in Table 6.

Table 6. Comparison of 2015 Nursing Home Rates and Projected Costs, New Mexico and Neighboring States

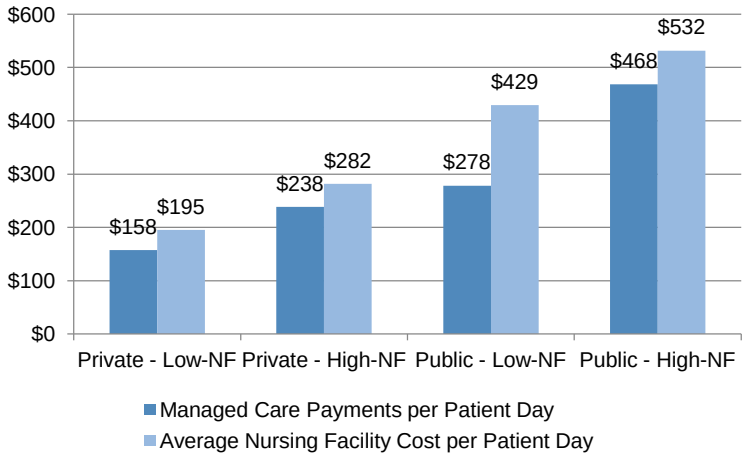
State	2015 Rate	Projected 2015 Cost	Projected Difference	Rate as % of Cost
CO	$225.23	$232.05	($6.82)	97%
AZ	$208.12	$217.10	($8.99)	96%
UT	$188.70	$205.21	($16.51)	92%
TX	$141.64	$154.18	($12.55)	92%
OK	$144.08	$158.89	($14.81)	91%
US	$190.34	$212.80	($22.46)	89%
NM	**$168.00**	**$192.73**	**($24.73)**	**87%**

Source: Eljay, LLC and Hansen Hunter & Company for the American Health Care Association, LFC analysis

Nationally, the percentage of allowable costs covered by Medicaid rates decreased from 92 percent in 1999 to 89 percent in 2015. According to the AHCA's consultant, part of this trend in recent years may be attributable to Medicaid policy initiatives under the Affordable Care Act that prioritize preventative over acute care and home- and community-based services over institutional settings.

Payments to nursing homes from Medicaid managed care organizations (MCOs) cover between 65 percent and 88 percent of average daily costs per patient. In CY14, the most recent year for which data can be compared, payments from New Mexico's Medicaid MCOs to nursing facilities totaled $194.3 million, equivalent to roughly $173 per patient day. When broken down by facility ownership and level of care, these payments ranged from $158 per patient day for low-NF residents of private nursing homes to $468 per patient day for high-NF residents of public nursing homes. Meanwhile, the average cost of care per patient day ranged from $195 to $532 (Chart 21).

Chart 21. MCO Payments to Nursing Homes vs. Nursing Home Costs per Patient Day, CY14

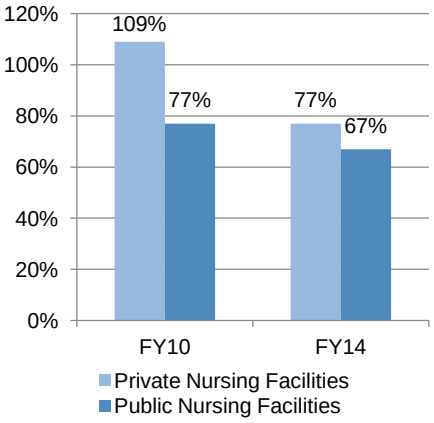


Source: LFC analysis of HSD data and Myers & Stauffer cost reports

The largest gap between MCO payments and costs occurred among low-NF residents of public facilities, where the average MCO payment per patient day ($278) was equivalent to just 65 percent of costs ($429). MCO payments covered 81 percent of costs for low-NF residents of private nursing homes, 85 percent of costs for high-NF residents of private nursing homes, and 88 percent of costs for high-NF residents of public nursing homes.

MCO payments are covering a lower percentage of private nursing home costs, despite rate increases since FY10 (Chart 22). LFC staff analysis of FY10 long-term care spending and utilization data under the Coordination of Long-Term Services (CoLTS) program shows that MCO payments to private nursing facilities actually exceeded the cost of care that year, equating to roughly $198 per day, or 109 percent of the average daily cost of $181 per patient. In FY14, which included part of the first year of Centennial Care, MCO payments averaged $166 per day, but the average cost of care grew faster, to $214 per day, so that MCO payments averaged just 77 percent of the average daily cost of care. At public nursing homes, MCO payments were equivalent to 65 percent of the average daily cost of care in FY10, and 68 percent in FY14.

Chart 22. MCO Payments to Nursing Homes as Percentage of Nursing Home Costs per Patient Day, FY10 and FY14



Note: FY10 payment and patient days based on fiscal year, FY14 payments and patient days based on calendar year. Costs generally based on calendar year, except public facilities on state fiscal year.
Source: LFC analysis of HSD data and Myers & Stauffer New Mexico Medicaid Nursing Facility Cost Reports

Between CY13 and CY15, New Mexico's nursing homes went from an average net financial gain of 4 percent to an average loss of 2 percent. LFC staff analyzed public datasets containing financial information from annual cost reports submitted to CMS by nursing facilities participating in Medicare and Medicaid between CY13 and CY15. Note that the data does not include all CMS-certified nursing homes in New Mexico, containing 59 facilities for CY13 and CY14, and 51 facilities for CY15. Of these, 48 facilities, or about 65 percent of the state's certified nursing homes, had data available for all three years.

As shown in Table 7, the 48 New Mexico nursing homes with three years of data collectively showed a net gain of $23.1 million in CY13, but this fell to $2.4 million in CY14 and became a loss of $3.2 million in CY15. The average net income per facility decreased from $491 thousand in CY13, or 4 percent of patient revenues, to an average loss of $69 thousand per facility, or negative 2 percent of patient revenues, in CY15. This roughly correlates with the overall increase in costs in recent years.

Table 7. Nursing Home Patient Revenues and Net Income, CY13-CY15
(n=48)

	CY13	CY14	CY15
Total Patient Revenues (in thousands)	$491,869.1	$475,019.4	$474,486.8
Average Patient Revenues per Facility (in thousands)	$10,465.3	$10,106.8	$10,095.5
Total Net Income (in thousands)	$23,071.3	$2,431.7	($3,244.4)
Average Net Income per Facility (in thousands)	$490.9	$51.7	($69.0)
Average Net Income as % of Patient Revenues	4.1%	0.5%	-1.6%

Source: LFC Analysis of CMS-2540 Cost Report Data

Chain-operated nursing facilities in New Mexico lost an average of 3 percent of patient revenues in CY15. Among the 51 nursing homes with available CY15 CMS cost report data, 39 were operated by a chain with more than one facility in New Mexico. On average, these facilities experienced a net loss of $169 thousand per facility, or about 3 percent of patient revenues. The ten nursing homes operated by Preferred Care Partners Management reported the largest average loss per facility at about $693 thousand, or 9 percent of patient revenues. The largest chain, Genesis Healthcare, reported an average positive net income of $75 thousand per facility, essentially breaking even.

Table 8. Average Net Income per Nursing Facility - Chains Operating Multiple Facilities in New Mexico, CY15

Operator	Number of Facilities Reporting	Average Net Income (Loss) per Facility	Average Net Income per Facility as Percentage of Patient Revenues
Genesis Healthcare	17	$75,176	0%
Preferred Care Partners Management Group	10	($693,453)	-9%
Evangelical Lutheran Good Samaritan Society	7	$24,951	0%
OnPointe Health	5	($219,194)	-3%
Total - Chains with Multiple NM Facilities	**39**	**($168,663)**	**-3%**

Source: LFC Analysis of CMS Cost Report Data

New Mexico can improve its nursing home payment and resident screening methodologies to more accurately reflect patient needs and predict costs.

New Mexico's system for reimbursing nursing homes for Medicaid patients uses just two levels of care based on patient needs and conditions – high-NF and low-NF. Currently, 35 states use a system for determining nursing home payments based on multiple classifications of patient acuity, or "case mix." This type of system is also used by Medicaid at the federal level. Under a case mix system, patients are classified into multiple resource utilization groups (RUGs) based on physical and behavioral health needs, functional abilities, and other characteristics using assessments and data included in the federally mandated minimum data set (MDS) for nursing facilities. RUG classifications are scored and weighted based on the amount of resources, such as staffing time and medication, patients are expected to use. These classifications are then used as the basis

for determining payment rates. Medicare currently has 66 RUGs it uses for determining its payment rates to skilled nursing facilities.

The long-term care consulting firm Eljay, LLC notes that RUG-based payment systems are more predictive than other models when it comes to measuring the resource-intensiveness of nursing facility patients. Classifying residents into multiple groups allows for more precision in determining costs, whereas New Mexico's two-tiered system may place higher-need patients in the low-NF category. Still, Eljay cautions that RUG-based systems themselves do not necessarily solve funding problems, but rather serve to redistribute dollars in a manner more responsive to the spectrum of nursing home patient acuity.

Research on the case mix model has suggested the potential for both increased costs and savings, with a 2006 study in Health Services Research finding in national data that the system resulted in increased acuity among patients owing to higher payments for patients with greater needs. The same study noted that adoption of this system in New York resulted in higher per diem nursing home rates, but improved access to nursing care may also lead to fewer hospitalizations. Additionally, a Louisiana Legislative Auditor study of utilization, cost, and quality of nursing homes in that state noted that its case mix methodology, which is based on all nursing home residents as opposed to just Medicaid residents, resulted in higher rates because of higher acuity among private-pay patients.

New Mexico's screening of nursing facility residents for mental illness lags behind most other states. Under state and federal law, all patients seeking or receiving treatment in a nursing home must be screened for mental illness, intellectual disability, or a related condition under a system called Preadmission Screening and Resident Review (PASRR). PASRR uses a two-tiered process to identify and screen individuals for these conditions and determine if a nursing home is the appropriate venue for care. PASRR Level I identifies individuals who may have a qualifying disability for a second level of screening. A Level II evaluation then provides recommendations for the most appropriate setting of care for the individual, whether a nursing facility or a more specialized setting for patients with mental health or intellectual disability-related needs. In New Mexico, the Department of Health's Developmental Disabilities Supports Division is responsible for running the PASRR program.

According to the 2015 PASRR National Report, prepared by the PASRR Technical Assistance Center on behalf of CMS, New Mexico was in the second-lowest quartile of comprehensiveness for its PASRR Level I evaluations. Between 26 percent and 50 percent of the data elements in its Level I were deemed "comprehensive" by reviewers, while the rest were either rated as "partial" or "absent." Lacking key pieces of information in the Level I screening could have the consequence of not properly identifying individuals who may require a level of care beyond what nursing facilities are able to provide. This may burden nursing homes with patients who have highly specialized needs that cannot be adequately met in that setting.

Of the 50 states plus the District of Columbia, 18 improved their comprehensiveness ratings between 2014 and 2015, moving to a higher

quartile. Ten of these improved by two quartiles. Just one state (Wyoming) showed a decline. New Mexico remained in the same quartile in 2015 as in 2014. All of New Mexico's neighboring states improved the comprehensiveness of their PASRR Level I evaluation tools between 2014 and 2015. Arizona, Utah, and Oklahoma each improved by two quartiles, while Texas improved by one. New Mexico's ranking did not change. In 2015, all of New Mexico's neighboring states except Texas demonstrated greater comprehensiveness in Level I screenings for mental illness and intellectual disability among nursing home patients than New Mexico did.

Table 9. Number of States in PASRR Comprehensiveness Quartile, 2014-2015

	Number of States	
Comprehensiveness Quartile (Percentage of Data Elements Rated Comprehensive)	**2014**	**2015**
76%-100%	6	19
51%-76%	15	14
26%-50%	27	16
0%-25%	3	2

Source: 2014 and 2015 PASRR National Reports

Table 10. PASRR Comprehensiveness Ratings of New Mexico and Neighboring States, 2015

	Comprehensiveness Quartile (Percentage of Data Elements Rated Comprehensive)	
State	**2014**	**2015**
Arizona	26%-50%	76%-100%
Utah	26%-50%	76%-100%
Oklahoma	0%-25%	51%-76
New Mexico	**26%-50%**	**26%-50%**
Texas	0%-25%	26%-50%

Source: 2014 and 2015 PASRR National Reports

In the 2013 PASRR National Report, New Mexico's Level II tools, those used for recommending setting of care, ranked in the top quartile along with 38 other states. Between 76 percent and 100 percent of data elements used in the state's Level II evaluations qualified as comprehensive. This indicates that once New Mexico nursing facility residents are screened under Level I, the process for determining the appropriate care setting is fairly robust. However, the lower comprehensiveness rating of Level I could result in patients who need a higher level of care not being triggered for a Level II screening.

Recommendations

The Human Services Department should:

Continue evaluating the application of a RUG-based case mix reimbursement system and consider pursuing a Medicaid state plan amendment to implement such a system for determining nursing facility reimbursement rates based on additional categories of patient acuity.

Consider requiring a performance measure in MCO contracts requiring the reporting, at least quarterly, of average Medicaid cost per patient day for public and private nursing homes at both high and low levels of care.

The Department of Health should:

Work to improve the comprehensiveness of the PASRR Level I screening so that New Mexico is rated at least 76 percent comprehensive in the next national reporting cycle.

Care and Staffing Issues Affect the Overall Quality of Nursing Homes in New Mexico

Issues with quality of care are the most common source of deficiencies found in New Mexico's nursing homes.

There were over 2,100 total deficiencies reported in New Mexico nursing homes over the last three survey periods included in the Centers for Medicare and Medicaid Services' Nursing Home Compare Database, which date back to CY13. Of these, 231, or 12 percent, were quality of care deficiencies, the most frequently occurring. These were followed by resident rights, pharmacy service, environmental, and resident assessment deficiencies. The deficiencies in New Mexico nursing homes are the same as the most common deficiencies reported nationally. Notably, however, New Mexico had a larger proportion of resident rights deficiencies than the country as a whole, at 10 percent compared to 7 percent, and a smaller proportion of environmental deficiencies, at 8 percent versus 13 percent nationally (Table 11).

Table 11. Five Most Common Deficiencies in New Mexico Nursing Homes Since CY13

Deficiency Type	Percent-NM	Percent- US
Quality of Care	12%	15%
Resident Rights	10%	7%
Pharmacy Service	9%	8%
Environmental	8%	13%
Resident Assessment	7%	6%

Source: CMS Nursing Home Compare Database

Nursing homes participating in Medicare or Medicaid have an onsite recertification inspection annually, sometimes every fifteen months. Inspections are unannounced and in New Mexico are conducted by the Department of Health's Division of Health Improvement (DHI). The inspections are intended to provide a comprehensive assessment of each nursing home. The five-star quality ratings and any subsequent deficiencies are based on the three most recent recertification surveys for each nursing home, complaint deficiencies during the most recent three-year period, and any repeat visits needed to verify that the required corrections have brought the facility back into compliance.

New Mexico has been above the national average in deficiencies for actual harm or jeopardy from FY09 to FY14, ranking an average of 39th in the nation in the same period. In FY13, New Mexico ranked 30th in deficiencies, improving 16 spots from 46th only to decrease back to 41st place in FY14. Of its neighboring states, only Oklahoma ranks lower than New Mexico for nursing homes receiving a deficiency for actual harm or jeopardy.

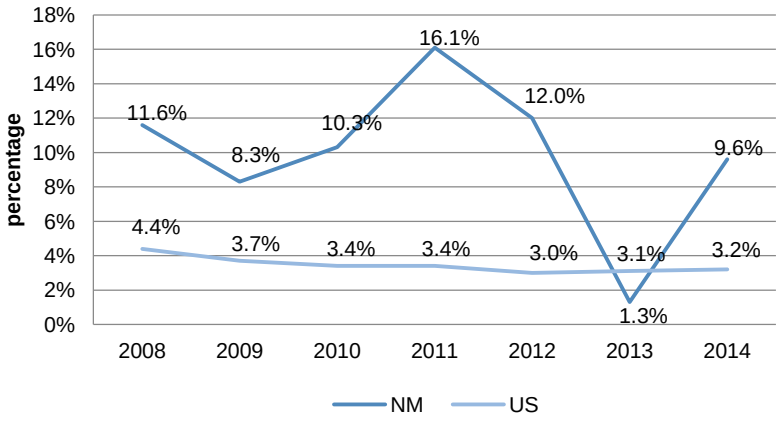
Table 12. Percent of Certified Nursing Facilities Receiving a Deficiency for Actual Harm or Jeopardy, New Mexico and Neighboring States, FY09-FY14

State/US Average	FY09	FY10	FY11	FY12	FY13	FY14
AZ	29.6%	19.6%	22.0%	26.4%	27.3%	26.8%
CO	42.5%	36.0%	39.7%	29.7%	29.2%	26.6%
NM	**29.6%**	**32.9%**	**32.8%**	**37.1%**	**20.3%**	**30.6%**
OK	34.2%	32.0%	34.1%	32.4%	28.2%	35.1%
TX	21.0%	20.5%	16.6%	15.8%	17.0%	21.6%
UT	12.4%	16.8%	27.9%	22.1%	16.1%	15.5%
US	24.7%	23.4%	21.4%	18.8%	19.0%	20.5%

Source: Kaiser Family Foundation

New Mexico has consistently performed in the bottom five states for nursing home surveys resulting in a citation for substandard quality of care from 2008 to 2014. The exception was in 2013 when New Mexico was at 1.3 percent for citations (Chart 23). Enforcement actions taken against nursing homes that are not in compliance with federal requirements are called remedies.

Chart 23. Nursing Home Surveys Resulting in a Citation for Substandard Quality of Care - All Facilities, 2008-2014



Source: CMS

New Mexico nursing homes continue to score high in the scope and severity of deficiencies for health and fire safety in the D, E, and F levels - no actual harm with potential for more than minimal harm that is not immediate jeopardy. In the F level New Mexico scores double the national average. The most severe deficiencies are in the J, K, and L levels - immediate jeopardy to resident health or safety in which New Mexico shows lower percentages, but continues to score higher than the national average (Table 13). The percent changes from 2008 to 2015 reveal percentage increases ranging from 1.3 percent to 3.3 percent in each of the three most severe levels of deficiencies.

Table 13. Scope and Severity of Deficiencies in New Mexico Nursing Homes (Health and Fire Safety), February 2013 to April 2016

	Isolated	Pattern	Widespread
Immediate jeopardy to resident health or safety	**J** **US 0.5%** **NM 1.5%**	**K** **US 0.4%** **NM 1.3%**	**L** **US 0.2%** **NM 0.7%**
Actual harm that is not immediate jeopardy	**G** **US 2.1%** **NM 4.5%**	**H** **US 0.2%** **NM 0.5%**	**I** **US 0.0%** **NM 0.0%**
No actual harm with potential for more than minimal harm that is not immediate jeopardy	**D** **US 48.7%** **NM 25.1%**	**E** **US 29.7%** **NM 36.6%**	**F** **US 12.9%** **NM 26.6%**
No actual harm with potential for minimal harm	**A** **N/A***	**B** **US 1.9%** **NM 0.8%**	**C** **US 3.4%** **NM 2.4%**

* A level not reported
Source: CMS

However the largest increase is in category F, widespread-no actual harm with potential for more than minimal harm that is not immediate jeopardy (Table 14).

Table 14. Percent Change in Scope and Severity of Deficiencies in New Mexico Nursing Homes (Health and Fire Safety) from February 2013 to April 2016

	Isolated	Pattern	Widespread
Immediate jeopardy to resident health or safety	**J** **+3.3%**	**K** **+2.6%**	**L** **+1.3%**
Actual harm that is not immediate jeopardy	**G** **-6.7%**	**H** **-2.5%**	**I** **-0.4%**
No actual harm with potential for more than minimal harm that is not immediate jeopardy	**D** **-3.3%**	**E** **+1.9%**	**F** **+7.1%**
No actual harm with potential for minimal harm	**A** **N/A***	**B** **-2.3%**	**C** **-1.5%**

* A level not reported
Source: CMS

Ten nursing homes account for over half of the most severe deficiencies statewide. As shown in Table 15, the top ten nursing homes with the highest total number of deficiencies account for 53 percent of the total number of the most severe deficiencies statewide. Deficiencies in the J, K, and L level are those where surveyors have determined immediate jeopardy to resident health or safety, ranging from isolated in J to pattern in K and widespread for the L level.

Table 15. New Mexico Nursing Homes with Highest Deficiencies, February 2013 to April 2016
n=73

Facility	Location	Owner	Total Number of Deficiencies	Severe Deficiencies Level J, K, L
Española Valley Nursing and Rehab	Española	Preferred Care	89	4
Casa Real	Santa Fe	Preferred Care	78	5
Paloma Blanca Health and Rehabilitation	Albuquerque	Health Care Associates	69	4
Sombrillo Nursing Facility	Los Alamos	Los Alamos Retirement Community	68	3
Silver City Care Center	Silver City	Preferred Care	64	5
Santa Fe Care Center	Santa Fe	Preferred Care	52	7
McKinley Center	Gallup	Genesis Healthcare	50	0
Northgate Unit of Lakeview Christian Home Nursing	Carlsbad	Lakeview Christian Home of the Southwest	49	7
Vida Encantada Nursing and Rehab	Las Vegas	Diamond Care Vida Encantada	49	2
Sagecrest Nursing and Rehabilitation	Las Cruces	Preferred Care	47	4
Percent of Total Statewide			**28%**	**53%**

Source: CMS Nursing Home Compare Database

Some examples of level J, K, or L deficiencies as provided by Department of Health surveys in New Mexico include a nursing home that failed to complete Consolidated Online Registry (COR) screenings, Office of Inspector General (OIG) background checks, and finger print screenings on several new employees. Employees with criminal convictions that made them ineligible for employment were hired to work with residents. Another nursing home failed to provide a resident with swallowing difficulties the proper diet. The patient subsequently choked on the food provided by the nursing home and died at a hospital. Multiple residents at another nursing home were exposed to infection when an employee performed blood sugar tests for diabetes patients with a multi-use glucometer without disinfecting the glucometer between each resident use.

The most common J, K, L high-level deficiency is tag 323 which states - *ensure that a nursing home area is free from accident hazards and provide adequate supervision to prevent avoidable accidents.* A third of these deficiencies are categorized as widespread, immediate jeopardy to resident health or safety statewide. The second most common high-level deficiency is 226 which states - *develop and implement policies for 1) screening and training employees; and the 2) prevention, identification, investigation, and reporting of any abuse, neglect, mistreatment and misappropriation of property.* Half of these deficiencies are categorized as pattern, immediate jeopardy. The most common deficiencies in New Mexico nursing homes by high-level deficiency are listed and described in Table 16.

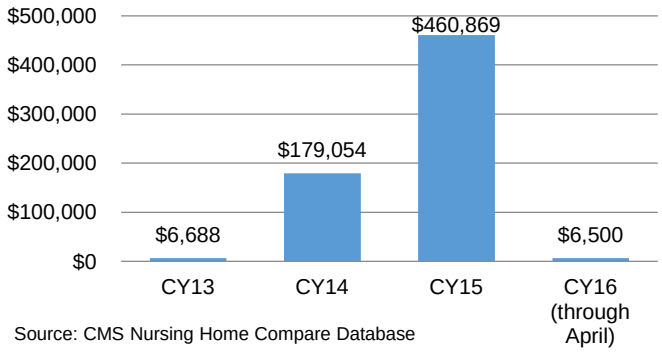
Table 16. New Mexico Nursing Home J, K, L Level Deficiencies, February 2013 to April 2016
n=73

Scope	Tag	Description
J	157	Immediately tell the resident, the resident's doctor, and a family member of situations (injury/decline/room, etc.) that affect the resident.
J	282	Provide care by qualified persons according to each resident's written plan of care.
J	226	Develop and implement policies for 1) screening and training employees; and 2) prevention, identification, investigation, and reporting of any abuse, neglect, mistreatment and misappropriation of property.
Scope	**Tag**	**Description**
K	323	Ensure that a nursing home area is free from accident hazards and provide adequate supervision to prevent avoidable accidents.
K	226	Develop and implement policies for 1) screening and training employees; and the 2) prevention, identification, investigation, and reporting of any abuse, neglect, mistreatment and misappropriation of property.
K	223	Protect each resident from all abuse, physical punishment, and involuntary separation from others.
K	490	Make sure that the facility is administered in an acceptable way that maintains the well-being of each resident.
K	282	Provide care by qualified persons according to each resident's written plan of care.
Scope	**Tag**	**Description**
L	323	Ensure that a nursing home area is free from accident hazards and provide adequate supervision to prevent avoidable accidents.
L	441	Have a program that investigates, controls and keeps infection from spreading.
L	371	Store, cook, and serve food in a safe and clean way.

Source: CMS and LFC analysis

Nursing home civil monetary penalties increased 2.5 times between 2014 and 2015. Although the total number of fines decreased from 23 to 19 from 2014 to 2015, the severity and amount of fines increased significantly during the same time period, reaching $461 thousand in CY15 (Chart 24) (Appendix C). Under statute, DOH is

Chart 24. Civil Monetary Penalties Assessed to New Mexico Nursing Homes, CY13-April 2016



Source: CMS Nursing Home Compare Database

mandated to impose civil monetary penalties on nursing homes when a serious deficiency is cited or if the nursing home fails to correct a deficiency for a long period of time (Section 24-1-5.2 NMSA 1978) (Appendix D). Fines may be imposed once per deficiency or each day until the nursing home corrects the deficiency. During a payment denial, the government stops Medicare/Medicaid payments to the nursing home for new residents until the nursing home corrects the deficiency. If the nursing home does not correct these problems, Medicare/Medicaid may terminate its agreement with the nursing home.

The number of New Mexico nursing homes achieving a five-star quality rating from CMS has decreased by over 50 percent from 2013 to 2015.

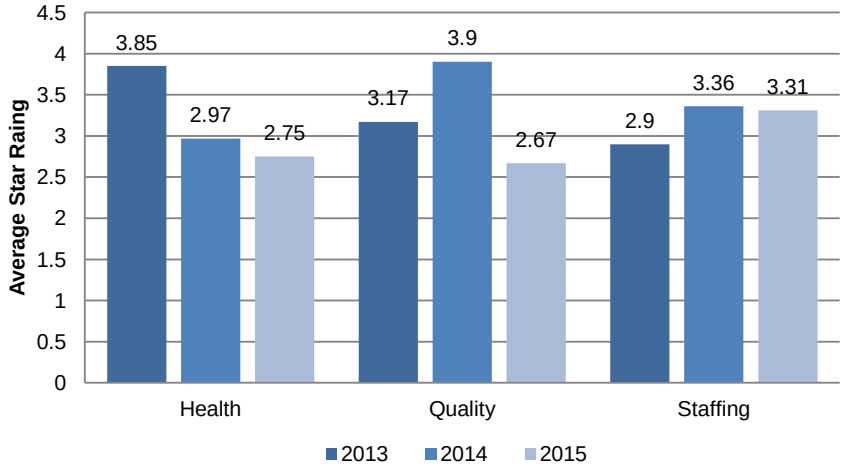
The Centers for Medicare and Medicaid Services (CMS) offers a Nursing Home Compare tool that rates nursing homes on a scale of one to five stars based on a number of measures of quality, including health and staffing measures. The number of five-star nursing homes in New Mexico decreased from 17 in both 2013 and 2014 to eight in 2015. While the one-star rating decreased significantly in 2014 from 12 to six nursing homes, the number of 1-star rated nursing homes increased to 10 in 2015. The average star rating for all nursing homes in New Mexico has remained at three stars from 2013 to 2015 (Chart 25).

Chart 25. Overall Nursing Home Five-Star Quality Ratings, 2013-2015

Source: CMS Nursing Home Compare Database

Nursing homes in New Mexico showed a significant decline in the quality category of the 5-star quality rating from 2014 to 2015. The health category has shown a decline from 2013 to 2015 and staffing has remained relatively the same from 2014 to 2015 (Chart 26). In October 2014 CMS recalibrated the quality measures and expanded the focused surveys designed to improve the accuracy of resident assessment information.

Chart 26. Average Star Rating of New Mexico Nursing Homes by Quality Measure Category, 2013-2015



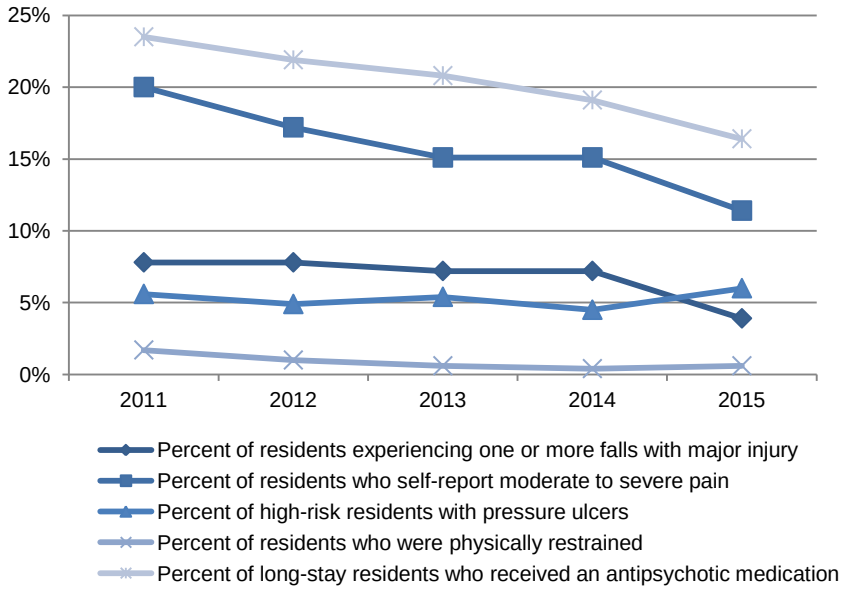
Source: CMS Nursing Home Compare Database

Long-term quality measures (QMs) show a positive improvement in some key categories. As shown in Chart 27, the percentage of long-stay residents who received an antipsychotic medication decreased from 23.5 percent in 2011 to 16.4 in 2015. The percentage of residents who self-report moderate to severe pain decreased nearly nine percent and the percent of residents experiencing one or more falls with major injury decreased by nearly four percent in the same time period. However, the percentage of low-risk residents who lose control of their bowels or bladders increased by 8 percent and residents who lose too much weight increased by 10 percent (Appendix E).

Five new long-term and short-term QMs will be phased in between July 2016 and January 2017. In July 2016, the new QMs began at 50 percent the weight of the current measures and by January 2017, they will have the same weight as the current measures.

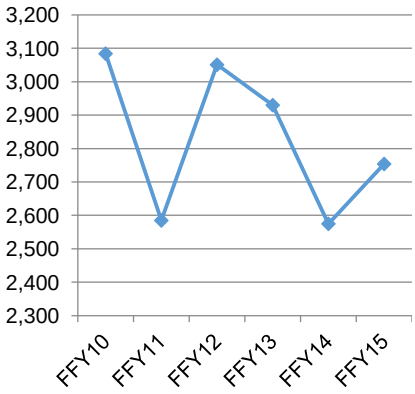
In addition, CMS will incorporate several methodological changes in calculating these new quality measures.

Chart 27. Examples of CMS Long-Term Stay Quality Measures, 2011-2015



Source: CMS Nursing Home Compare Database

Chart 28. Complaints Reported to the Long-Term Care Ombudsman from Nursing Homes, FFY10-FFY15



Source: ALTSD

Complaints to the Long-Term Care Ombudsman decreased by 330 from FY10 to FY15. The Office of the Long-Term Care Ombudsman, housed in the Aging and Long-Term Services Department, conducts visits on 100 percent of nursing homes monthly, according to their annual reports from FY13 to FY15. The Ombudsman program consists of an 11-member staff and 100-plus certified volunteers who visit each facility. The advocacy service provided by the volunteers is available to both residents and families. The FY15 Ombudsman report states that the volunteers provided 9,952 consultations to residents, family members, facility staff, and other individuals.

The most common complaints reported to the Ombudsman (Table 17) include failure to respond to requests for assistance and issues with discharge/eviction.

Table 17. Five Most Common Complaints to the Long-Term Care Ombudsman from Nursing Home Residents, FFY13-FFY15

Complaint	FFY13	FFY14	FFY15
Failure to Respond to Requests for Assistance	178	178	178
Discharge/Eviction	108	176	170
Dignity, Respect, Staff Attitudes	138	90	141
Medications, Administration, Organization	140	117	121
Request for Less Restrictive Placement	172	97	94

Source: ALTSD

Research indicates a significant relationship between higher nurse staffing levels, particularly registered nurse staffing, and better quality of care.

Nursing homes in New Mexico are most commonly staffed by registered nurses, licensed practical nurses, and certified nursing assistants. Table 18 delineates each of the three categories of staff by educational and licensing requirements. Federal law requires all nursing homes to provide enough staff to adequately care for residents. However, there is no current federal standard for the best nursing home staffing levels, according to CMS.

A nursing home must have at least one registered nurse (RN) for at least eight straight hours a day, seven days a week, and either an RN or licensed practical nurse/licensed vocational nurse (LPN/LVN) on duty 24 hours per day. Certified nursing assistants (CNAs) provide care to nursing home residents 24 hours per day, seven days a week. According to statute, services for residents shall be provided on a continuing twenty-four (24) hour basis and shall maintain or improve physical, mental and psychosocial well-being under a plan of care developed by a physician or other licensed health professional and shall be reviewed and revised based on assessments. All facilities licensed as nursing homes pursuant to Section 24-1-5 (A) NMSA 1978, are subject to all provisions of the regulations.

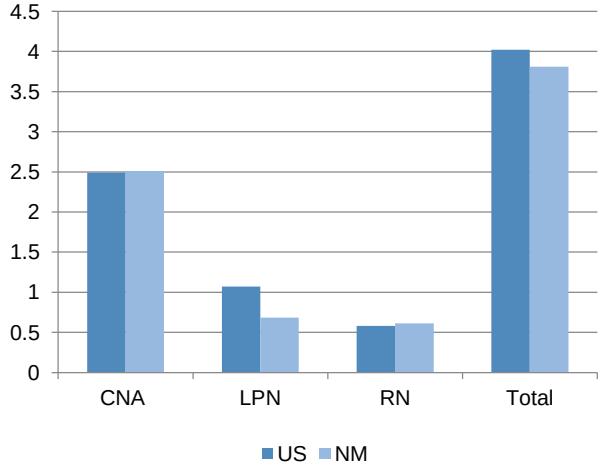
Table 18. Nursing Home Staffing
Typical Requirements, Duties, and Education

Registered Nurse	Licensed Practical Nurse	Certified Nursing Assistant
Licensed as a registered nurse under the Nursing Practice Act, Section 61-3-1 to 61-3-30 NMSA 1978.	Licensed as a LPN under the Nursing Practice Act Section 61-3-1 through 61-3-30 NMSA 1978.	CNA certification. DOH regulates training - Prometric (state contractor) manages testing and certifications (42 CFR §483.152).
Provides general nursing care to residents. Administers prescribed medications and treatments. Aids physician during treatment and examinations. Observes patients and records significant conditions and reactions. Communicates with residents and families. Assigns duties and serves as supervisor of LPNs and CNAs.	Provides routine nursing care. Takes vital signs, administers prescribed medications and treatments. Gives injections of medication and immunizations. Observes patients' health. LPNs performing procedures beyond basic preparation may do so under supervision/direction of RN (NMAC).	Provides assistance with healthcare needs. Duties assigned by a RN or LPN. Feeds, bathes, and dresses residents. Answers calls for help and observes changes in a patient's condition or behavior. CNAs may assist with medical procedures like drawing blood or taking vital signs if trained.
CMS RN hours include – registered nurses, RN director of nursing, and nurses with administrative duties.	CMS LPN hours include – licensed practice/ licensed vocational nurses.	CMS CNA hours include – certified nurse aides, aides in training, and medication aides/technicians.
State approved 2-year associate's nursing program (ADN) or 4-year bachelor's (BSN). First 2 years similar to ADN - final 2 years, specialized courses and practicum.	State approved LPN program takes about a year of full-time study.	State-approved CNA certification program about six weeks to three months. At least 75 hours of classroom and clinical training.
Must pass the NCLEX-RN exam.	Must pass the NCLEX exam.	Must pass both components of Nurse Aide Competency exam.
Submit to criminal background check and fingerprinting— If background check reveals a felony or violation of the Nursing Practice Act, the applicant will submit legal documents or other information to the board to determine eligibility for licensure (16.12.2 NMAC).	Submit to criminal background check and fingerprinting— Disciplinary action taken or pending against a nursing license in another jurisdiction, or a conviction of a felony, may result in denial of a license (16.12.2 NMAC).	Submit to criminal background check and fingerprinting - If applicant's has a disqualifying conviction, the committee will take into account the mandates of Section 28-2-1 to 28-2-6, NMSA 1978 of the criminal offender employment act.

Source: New Mexico Board of Nursing and NMAC

On average, New Mexico nursing homes provide fewer overall staffing hours per resident than the nation and neighboring states. The CMS Nursing Home Compare Database includes data on nurse staffing hours for each facility in a state, measured as the average number of hours of care a patient receives in a day. As of the June 2016 dataset, New Mexico nursing homes provide an average of 3.8 total staffing hours per patient per day, compared to four hours nationally. This is due largely to apparent understaffing among LPNs. LPNs provide roughly 0.7 hours per patient per day of care in New Mexico, while the national average is 1.1 hours. New Mexico performs slightly better than the national average on RN hours and about the same as the national average on CNA hours (Chart 29).

Chart 29. Average Nursing Home Staffing Hours, US and New Mexico, as of June 2016



*Data averaged over the last three data cycles
Source: CMS Nursing Home Compare Database

New Mexico's average of 3.8 total staffing hours per resident per day is lower than all its neighboring states except Texas. New Mexico also underperforms in each individual staffing category. Both Texas and Oklahoma have fewer average RN hours, while Texas has fewer CNA hours and Utah has fewer LPN hours than New Mexico.

Table 19. Average Nursing Home Staffing Hours, June 2016

State	CNA	LPN	RN	Total
AZ	2.6	1.1	0.7	4.3
UT	2.8	0.6	0.8	4.2
CO	2.6	0.9	0.8	4.2
OK	2.8	1.2	0.4	4.2
NM	**2.5**	**0.7**	**0.6**	**3.8**
TX	2.3	1.2	0.4	3.7

Source: CMS Nursing Home Compare Database

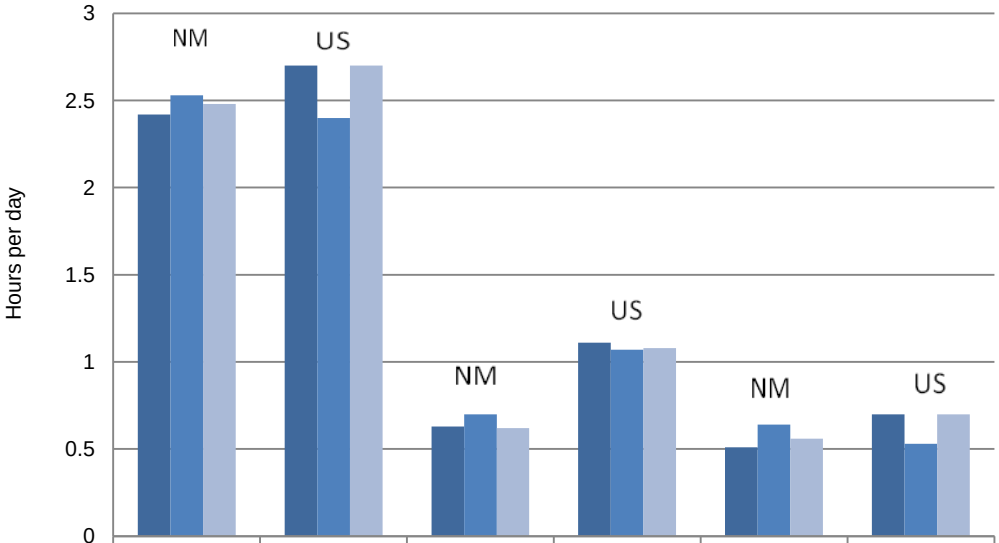
Nationwide, as in New Mexico, most staffing hours consist of care performed by CNAs. A 2015 Government Accountability Office (GAO) report found that the average number of nurse staffing hours per nursing home resident per day in New Mexico fell by 5 percent between 2009 and 2014, while the national average increased by 9 percent. For registered nurses, both the New Mexico and national averages increased, although New Mexico's grew slower at 24 percent compared to 51 percent nationally. The drop in total nurse staffing hours in New Mexico nursing homes could be an indicator of a growing shortage of nurses in these facilities. New Mexico's average daily nursing hours per resident in 2009 was just 0.2 hours (12 minutes) below the national average in 2009, but was over an hour below the national average in 2014.

However, GAO also found that CMS cannot ensure the accuracy of much of the staffing data it collects, as nurse staffing hours are self-reported by nursing homes and CMS does not conduct regular audits of the data. GAO reports that although the Affordable Care Act required CMS to develop a system for nursing homes to submit verifiable and auditable payroll data by March 2012, it did not begin doing so until the necessary funding was provided by the IMPACT Act in 2014. According to CMS, staffing hours per resident per day is the total number of hours worked divided by the total number of residents. It does not necessarily show the number of nursing staff present at any given time or reflect the amount of care given to any one resident. While nursing homes in New Mexico are required to post the number of staff on duty, neither ALTSD nor DOH track the aforementioned staffing levels.

New Mexico is below the U.S. average in nearly every category of staffing hours per resident day by nursing home type. On average, U.S. private, nonprofit nursing homes receive 48 minutes more than the nursing homes in New Mexico and U.S. government nursing homes receive 31 minutes more in staffing hours per day. U.S. private, for-profit nursing homes receive 19 minutes more than New Mexico nursing

homes in staffing per day. New Mexico provides six minutes more per day for private, for-profit RN services and eight minutes more per day for private, for-profit CNA services.

Chart 30. Staffing Hours per Resident Day by Nursing Home Type, New Mexico and United States Averages through April 2016



	CNA	CNA	LPN	LPN	RN	RN
Government	2.42	2.7	0.63	1.11	0.51	0.7
Private For-profit	2.53	2.4	0.7	1.07	0.64	0.53
Private Nonprofit	2.48	2.7	0.62	1.08	0.56	0.7

Source: LFC analysis of CMS Nursing Home Compare Database

Only one multi-facility nursing home chain in New Mexico provides more staffing hours that the U.S. average. OnPointe Healthcare with seven nursing homes around New Mexico like Princeton Place, the largest nursing home in New Mexico and Sierra Healthcare in Truth or Consequences; provides 263 or nine minutes more in staffing hours per resident day than the national average of 254 minutes per resident day.

Table 20. Staffing Hours per Resident Day by Nursing Home Chain

Nursing Home Chain*	Number of Nursing Homes in New Mexico	Average CNA	Average LPN	Average RN	New Mexico Average Total Staffing Hours (US average: 4.2)
Genesis Healthcare	19	2.6	0.9	0.5	3.9
Preferred Care	11	2.5	0.6	0.6	3.7
Good Samaritan	7	2.3	0.6	0.5	3.4
On Pointe Healthcare	7	3.0	0.7	0.7	4.4

Source: CMS
*Nursing home chains >1 facility

Recommendations

The Department of Health should:

Work with LFC and DFA staff to create Accountability in Government Act performance measures to track nursing home quality outcomes, including percentage of deficiencies resulting in actual harm or immediate jeopardy and number of staffing hours per patient per day.

The Human Services Department should:

Consider payment mechanisms that take into account quality and performance in nursing facilities, including expanding value-based purchasing to nursing facilities and other incentives or rate structures based in part on patient outcomes and quality measures such as staffing.

HUMAN SERVICES DEPARTMENT

Susana Martinez, Governor
Brent Earnest, Secretary
Nancy Smith-Leslie, Director

October 25, 2016

Mr. David Abbey
Director
Legislative Finance Committee
325 Don Gaspar, Suite 101
Santa Fe, NM 87501

Dear Mr. Abbey:

The New Mexico Human Services Department (the Department) has received the Legislative Finance Committee's report, *Cost, Quality and Financial Performance of Nursing Homes in New Mexico*, and we appreciate the opportunity to respond. The report provides an informative review of the demand and supply of nursing facility services in New Mexico.

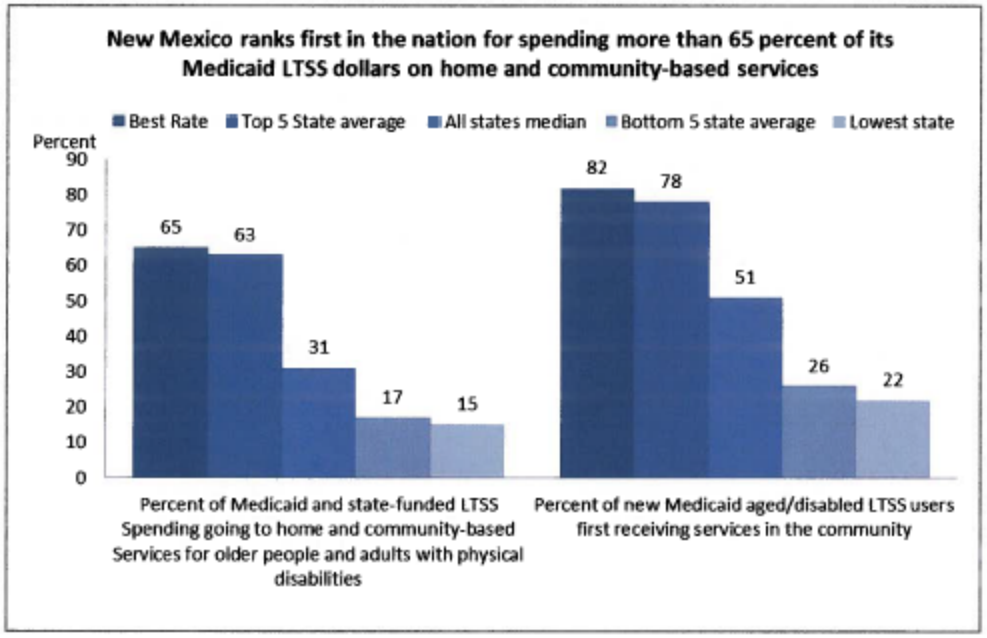
The two key recommendations for the Department are to continue evaluating the application of a case mix reimbursement (RUG-based) system that structures reimbursement rates based on additional categories of patient acuity and to consider payment mechanisms that take into account quality and performance in nursing facility reimbursements.

Regarding the first recommendation to evaluate a case mix reimbursement structure, the Department has held a series of meetings with the New Mexico Health Care Association and its consultant to assess the impact of transitioning to such a rate methodology. It also engaged its audit contractor, Myers and Stauffer, to conduct an initial analysis of the impact to implement such a transition. The Association's consultant estimated it would require significant additional funds to move to a RUG-based reimbursement. Considering current budgetary constraints as well as the requirement from the General Appropriations Act to reduce provider payments in SFY 17, the Department was unable to move forward with such an implementation. It did, however, exempt nursing facilities from provider rate reductions that were implemented at the beginning of SFY 17.

Another way to address reimbursement and quality improvement is to pursue payment reform initiatives that reward providers for achieving quality measures and improved performance, which has been a key goal of Centennial Care. The Department agrees with the LFC's second recommendation to pursue payment reform initiatives for nursing facilities. The managed care organizations (MCOs) have implemented 10 payment reform projects in the past year, and the most recent contract amendment requires them to have16 percent of all provider payments in calendar year 2017 in value-based purchasing arrangements. Recently, Molina Healthcare of New Mexico informed the Department that it is implementing a Nursing Facility Quality Program that will financially reward facilities for achieving quality measures.

As the report indicates on page 11, nursing home utilization for Medicaid recipients continues to decline while the number of recipients receiving home and community-based services continues to increase. This shift has resulted in reduced occupancy rates for nursing facilities as members exercise their choice to stay in their communities rather than receive institutional care, while at the same time, improving their overall quality of life. This trend supports the goals of Centennial Care—the right care, at the right time, in the right setting and person-centric care that facilitates member choice and control over their lives.

In the AARP's annual report for 2014, *State Scorecard on Long-Term Services and Supports for Older Adults, People with Physical Disabilities, and Family Caregivers*, New Mexico ranks first in the nation for spending more than 65 percent of its long-term care dollars for older people and adults on home and community-based services.



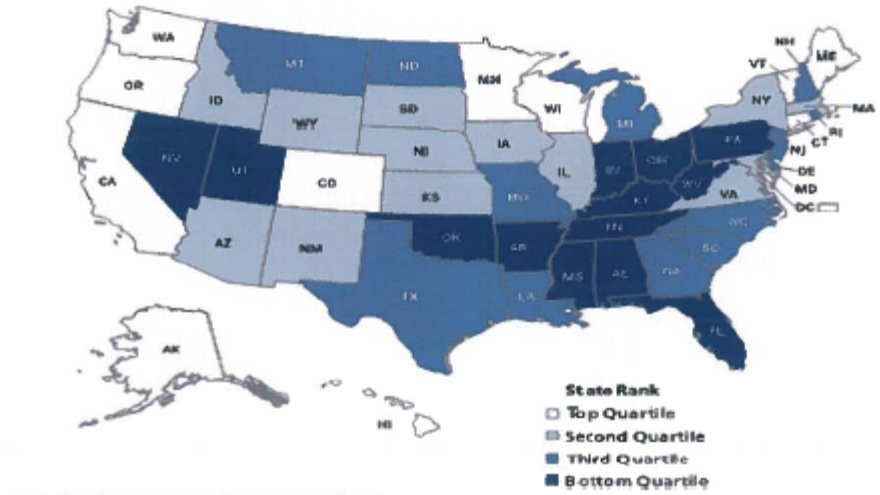
Top 5 states:

1 New Mexico	**1 Alaska**
2 Minnesota	**2 Minnesota**
3 Washington	**3 New Mexico**
4 Alaska	**4 District of Columbia**
5 Oregon	**5 Idaho**

Data: LTSS Spending - AARP Public Policy Institute analysis of Truven Health Analytics, Medicaid Expenditures for Long Term Services and Supports in 2011 (Revised October 2013); AARP Public Policy Institute Survey (2012); New Medicaid Users - Mathematica Policy Research analysis of 2008/2009 Medicaid Analytical Extract (MAX).
Source: State Long-Term Services and Supports Scorecard, 2014.

Additionally, New Mexico ranks in the second best quartile nationally for its LTSS system.

State Ranking on Overall LTSS System Performance



Source: State Long-Term Services and Supports Scorecard, 2014.

New Mexico's system is particularly strong in terms of:

- Affordability and access (top quartile);
- Choice of setting and provider (top quartile); and
- Effective transitions across settings of care (second quartile).

Thank you for this opportunity to respond. The Department looks forward to continuing to work with the LFC and other stakeholders to improve its long-term care program and achieve improved healthcare outcomes for its Medicaid members.

Sincerely,

Brent Earnest
Secretary

Appendix A: Evaluation Scope and Methodology

Evaluation Objectives.

- Review nursing home cost and funding trends
- Analyze financial performance of nursing homes, especially in relation to changes in Medicaid rates
- Analyze trends in health, staffing, and other quality measures in nursing homes

Scope and Methodology.

- Review state and federal laws, regulations and policies surrounding nursing home quality, funding, and Medicaid reimbursement.
- Analyze available nursing facility Medicaid cost report data from HSD and CMS.
- Analyze quality data, including the CMS Nursing Home Compare Database, survey reports from DOH's Division of Health Improvement, and long-term care ombudsman reports.
- Review existing research on nursing home cost and quality issues from other states or institutions.
- Conduct site visits to Medicaid-only, Medicare-only, and dually certified nursing homes.

Evaluation Team.
Brian Hoffmeister, Lead Program Evaluator
Madelyn P. Serna Mármol, Program Evaluator

Authority for Evaluation. LFC is authorized under the provisions of Section 2-5-3 NMSA 1978 to examine laws governing the finances and operations of departments, agencies, and institutions of New Mexico and all of its political subdivisions; the effects of laws on the proper functioning of these governmental units; and the policies and costs. LFC is also authorized to make recommendations for change to the Legislature. In furtherance of its statutory responsibility, LFC may conduct inquiries into specific transactions affecting the operating policies and cost of governmental units and their compliance with state laws.

Exit Conferences. The contents of this report were discussed with the Secretary of the Human Services Department, Deputy Secretaries of Department of Health and Aging and Long-Term Services Department and their staffs on October 21, 2016.

Report Distribution. This report is intended for the information of the Office of the Governor, the Children, Youth, and Families Department, the Office of the State Auditor, and the Legislative Finance Committee. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Charles Sallee
Deputy Director for Program Evaluation

Appendix B: List of New Mexico Nursing Homes (Including Quality Ratings)

Nursing Homes in New Mexico

Nursing Homes	Status/Owner	Overall Rating (out of) 5 Stars 2013	Overall Rating (out of) 5 Stars 2014	Overall Rating (out of) 5 Stars 2015	Capacity 2015	Medicare Medicaid Status
Advanced Health Care of Albuquerque	For profit-Corporation Advanced Health Care	5 stars	5 stars	3 stars	47	Both
Albuquerque Heights Healthcare and Rehabilitation Center	For profit-Corporation/Genesis Healthcare	2 stars	3 stars	3 stars	134	Both
Belen Meadows Healthcare and Rehabilitation Center,	For profit-Corporation/Genesis Healthcare	1 star	2 stars	2 stars	120	Both
*Bloomfield Nursing and Rehab	For profit-Corporation/Preferred Care	1 star	1 star	2 Stars	95	Both
Canyon Transitional Rehabilitation Center (Albuquerque)	For profit-Corporation/Genesis Healthcare	5 stars	4stars	3 stars	74	Both
Carlsbad Medical Center – TCU	For profit-Corporation/ Community Health Systems	5 stars	4 stars	3 stars	4	Medicare
Casa Arena Blanca Nursing Center (Alamogordo)	For profit-Corporation/ Casa Arena Blanca-Fundamental	2 stars	3 stars	2 stars	117	Both
Casa de Oro Center (Las Cruces)	For profit-Corporation Genesis Healthcare	3 stars	3 stars	4 stars	158	Both
Casa del Sol Center (Las Cruces)	For profit-Corporation/Genesis Healthcare	3 stars	5 stars	4 stars	62	Both
Casa Maria Healthcare Center and Pecos Valley Rehab Suites (Roswell)	For profit-Corporation/Casa Maria of New Mexico-Fundamental	3 stars	2 stars	2 stars	118	Both
*Casa Real (Santa Fe)	For profit-Corporation/ Santa Fe Health Facilities- Preferred Care	2 stars	3 star	3 stars	118	Both
Cedar Ridge Inn/Farmington	For profit-Corporation/ Cedar Ridge Inn-CG Health	4 stars	5 stars	5 stars	101	Both
*Clayton Nursing and Rehab	For profit-Corporation/Preferred Care	4 stars	4 stars	3 stars	45	Both
Clovis Healthcare and Rehabilitation Center	For profit-Individual/ Genesis Healthcare	5 stars	5 stars	1 star	90	Both
Colfax General (Springer)	Government-Hospital district/South Central Colfax County Special Hospital Dist.	5 stars	5 stars	5 stars	34	Both
*Country Cottage Care and Rehab (Hobbs)	For profit-Corporation/ Hobbs Health Facilities-Preferred Care	3 stars	4 stars	3 stars	55	Both
Desert Springs Nursing and Rehabilitation Center (Hobbs)	For profit-Partnership/ Desert Springs Health Facilities	na	na	na	80	Both
El Castillo Retirement Residences (Santa Fe)	For profit/El Castillo Retirement Services	na	na	na	32	Neither
*Española Valley Nursing and Rehab	For profit-Individual/ Española Health Facilities- Preferred Care	1 star	1 star	1 star	120	Both
Fort Bayard Medical Center	Government -State	4 stars	4 stars	4 stars	210	Both
Good Samaritan (Lovington)	Non profit-Church related Good Samaritan Society	5 stars	5 stars	3 stars	62	Both
Good Samaritan Society – Four Corners Village (Aztec)	Non profit-Corporation/Good Samaritan Society	2 stars	3 stars	4 stars	86	Both
Good Samaritan Society - Grants	Non profit-Corporation/Good Samaritan Society	3 stars	4 stars	3 stars	80	Both
Good Samaritan Society – Manzano del Sol (Albuquerque)	Non profit- Corporation/Good Samaritan Society	3 stars	3 stars	4 stars	117	Both
Good Samaritan Society Betty Dare (Alamogordo)	Non profit-Corporation/Good Samaritan Society	1 star	2stars	4 stars	90	Both
Good Samaritan Society Las Cruces Village	Non profit-Corporation/Good Samaritan Society	4 stars	4 stars	4 stars	94	Both

Nursing Homes in New Mexico

Nursing Homes	Status/Owner	Overall Rating (out of) 5 Stars 2013	Overall Rating (out of) 5 Stars 2014	Overall Rating (out of) 5 Stars 2015	Capacity 2015	Medicare Medicaid Status
Good Samaritan Society - Socorro	Non profit-Corporation/Good Samaritan Society	4 stars	3 stars	3 stars	66	Both
Heartland Continuing Care Center (Portales)	For profit-Corporation/ Heartland Care	2 stars	2stars	1 star	80	Both
Hobbs Operating Comp Dba Hobbs Healthcare Center	For profit-Corporation/ Hobbs Operating Company	4 stars	4 stars	5 stars	118	Both
Kaseman Subacute and Rehabilitation (Albuquerque)	Non profit-Corporation	4 stars	4 stars	4 stars	55	Both
La Vida Llena (Albuquerque)	Non profit-Corporation/La Vida Llena	5 stars	5 stars	5 stars	44	Both
Ladera Center (Albuquerque)	For profit-Corporation/Genesis Healthcare	4 stars	5 stars	2 stars	120	Both
Laguna Rainbow Corporation (Casa Blanca)	Non profit-Corporation/OnPointe Health	3 stars	3 stars	na	58	Both
Landsun Homes (Carlsbad)	Non profit-Church related/Landsun Homes, Inc.	5 stars	5 stars	4 stars	103	Both
Las Palomas Center (Albuquerque)	For profit-Corporation /Genesis Healthcare	3 stars	5 stars	4 stars	120	Both
Lea Regional Medical Center-Transitional Care (Hobbs)	For profit-Corporation/ Hobbs Medco	5 stars	5 stars	4 stars	16	Both
*Life Care Center of Farmington	For profit-Corporation/Preferred Care	4 stars	4 stars	3 stars	144	Both
McKinley Center (Gallup)	For profit-Corporation/Genesis Healthcare	1 star	3 stars	4 stars	62	Both
Medical Resort at Fiesta Park (Albuquerque)	For profit-Corporation/OnPointe Health	3 stars	na	3 stars	85	Medicare
Mescalero Care Center (Mescalero)	Non profit-other/ Mescalero Apache Tribe	1 star	2 stars	3 stars	40	Both
Mimbres Memorial Nursing Home (Deming)	For profit-Corporation/Community Health	3 stars	2 stars	4 stars	66	Both
Miners Colfax Medical Center (Raton)	Government-State/Miners Board of Trustees	4 stars	4 stars	5 stars	37	Both
Mission Arch Center (Roswell)	For profit-Corporation/Genesis Healthcare	3 stars	4 stars	1 star	120	Both
Montebello on Academy (Albuquerque)	For profit-Corporation/ Five Star Montebello	2 stars	5 stars	5 stars	60	Both
Neighborhood in Rio Rancho	Haverland Carter Lifestyle Group	na	na	na	3	Neither
New Mexico State Veterans Home (T or C)	Government-Federal	3 stars	4 stars	2 stars	135	Both
NM Behavioral Health Institute (Las Vegas)	Government-State	3 stars	3 stars	1 star	176	Both
Northgate Unit of Lakeview Christian Nursing Facility	Non profit-Other/Lakeview Christian Home of the Southwest	2 stars	2 stars	3 stars	112	Both
Paloma Blanca Health and Rehabilitation (Albuquerque)	For profit-Corporation/ Paloma Blanca Health Care Associates	2 stars	2 stars	2 stars	119	Both
Presbyterian Healthcare Services (Albuquerque)	Presbyterian Healthcare Services	na	na	na	55	Both
Princeton Place (Albuquerque)	For profit-Corporation/ OnPointe Health	1 star	1 star	4 stars	369	Both
*Raton Nursing and Rehab Center	For profit-Partnership/ Raton Health Facilities-Preferred Care	1 star	5 stars	5 stars	80	Both
*Red Rocks Care Center (Gallup)	For profit-Partnership/ Gallup Health Facilities- Preferred Care	2 stars	2 stars	3 stars	102	Both
Rehabilitation Center of Albuquerque	For profit-Partnership/ Rehabilitation Center of Albuquerque-Genesis Healthcare	5 stars	3 Stars	3 Stars	120	Both
Retirement Ranches (Clovis)	Non profit-Corporation/ Retirement Ranches	5 stars	4 stars	4 stars	104	Both
Rio Rancho Center	For profit-Corporation/Genesis Healthcare	3 stars	3 stars	3 stars	120	Both

Nursing Homes in New Mexico

Nursing Homes	Status/Owner	Overall Rating (out of) 5 Stars 2013	Overall Rating (out of) 5 Stars 2014	Overall Rating (out of) 5 Stars 2015	Capacity 2015	Medicare Medicaid Status
*Sagecrest Nursing and **Rehabilitation (Las Cruces)	For profit-Corporation/ Preferred Care	1 star	1 sar	1 star	120	Both
San Juan Center (Farmington)	For profit-Corporation/Genesis Healthcare	5 stars	4 stars	1 star	93	Both
San Pedro Nursing and Rehabilitation Center (Artesia)	For profit-Partnership/ Artesia Health Facilities	na	na	na	65	Both
*Santa Fe Care Center	For profit-Corporation/Preferred Care	1 star	2 stars	2 stars	120	Both
Sierra Health Care Center (T or C)	Non profit-Corporation/OnPointe Health	2 stars	4 stars	4 stars	94	Both
Silver City Care Center	For profit-Corporation/Preferred Care	1 star	2 stars	2 stars	100	Both
Skies Healthcare & Rehabilitation Center (Albuquerque)	For profit-Corporation/Genesis Healthcare	5 stars	5 stars	3 stars	120	Both
Sombrillo Nursing Facility (Los Alamos)	Non profit-Corporation/Los Alamos Retirement Community	2 stars	2 stars	1 star	64	Both
South Valley Care Center (Albuquerque)	For profit-Corporation/ South Valley Care Center	5 stars	5 stars	4 stars	62	Both
St. Anthony Healthcare and Rehabilitation Center (Clovis)	For profit-Corporation/Genesis Healthcare	4 stars	3 stars	1 star	70	Both
St. Catherine Healthcare and Rehabilitation Center (Albuquerque)	For profit-Corporation/Genesis Healthcare	5 stars	5 stars	na	178	Both
St. John Healthcare and Rehabilitation Center (Albuquerque)	For profit-Corporation/Genesis Healthcare	3 stars	3 stars	4 stars	136	Both
St. Theresa Healthcare and Rehabilitation Center (Albuquerque)	For profit-Corporation/ Summit Care-Genesis Healthcare	2 stars	1 star	1 star	134	Both
Sunset Villa Care Center (Roswell)	For profit-Corporation /Fundamental	2 stars	2 stars	2 stars	52	Both
*Sunshine Haven at Lordsburg	For profit-Partnership/Preferred Care	2 stars	3 stars	3 stars	67	Both
Taos Living Center	For profit-Corporation/Taos Living Center	3 stars	3 stars	2 stars	100	Both
Taos Retirement Village	For profit-Corporation/ Taos NM Senior Living	5 stars	5 stars	2 stars	20	Both
The Rio at Cabezon (Rio Rancho)	For profit-Corporation/OnPointe Health	na	na	na	136	Both
The Rio at Las Estancias (Albuquerque)	For profit-Corporation/OnPointe Health	na	na	na	120	Both
Vida Encantada Nursing and Rehab (Las Vegas)	For profit-Corporation/ Diamond Care Vida Encantada	1 star	1 star	3 stars	102	Both
Village at Northrise – Desert Willow I (Las Cruces)	For profit-Corporation/Genesis Healthcare	5 stars	4 stars	5 stars	38	Medicare
Total: 77	na	Average: 3 stars	Average: 3 stars	Average: 3 stars	7,168	na

Source: CMS, DHI, and HSD
*NM Attorney General Lawsuit

Appendix C: Civil Monetary Penalties and Payment Denials in New Mexico Nursing Homes

New Mexico Nursing Home
Civil Money Penalties and Payment Denials, 2013 – August 1, 2016

Nursing Homes	Total Civil Money Penalties per Facility	Total Payment Denials per facility and number of days to resolve	
Albuquerque Heights Healthcare and Rehabilitation Center	$10, 250	na	na
Belen Meadows Healthcare and Rehabilitation Center,	$975	na	na
Canyon Transitional Rehabilitation Center (Albuquerque)	$1,300	na	na
Casa Arena Blanca Nursing Center (Alamogordo)	$30,583	1	8
Casa de Oro Center (Las Cruces)	$975	na	na
Casa Maria Healthcare Center and Pecos Valley Rehab Suites (Roswell)	$1,625	na	na
Casa Real (Santa Fe)	$80,048	2	44 96
Española Valley Nursing and Rehab	$17,908	1	na
Good Samaritan- Betty Dare (Albuquerque)	na	1	16
Good Samaritan Society – Four Corners Village (Aztec)	$117,196	1	24
Good Samaritan Society – Manzano del Sol (Albuquerque)	$17,323	1	na
Good Samaritan Society Las Cruces Village	$1,950	na	na
Heartland Continuing Care Center (Portales)	na	1	11
Ladera Center (Albuquerque)	$3,575	1	41
Las Palomas Center (Albuquerque)	$1,300	na	na
McKinley Center (Gallup)	$1,625	1	21
Mission Arch Center (Roswell)	$6,500	1	3
Montebello on Academy (Albuquerque)	na	1	32
New Mexico State Veterans Home (T or C)	$3,000	na	na
Northgate Unit of Lakeview Christian Nursing Facility (Carlsbad)	$148,297	1	73
Paloma Blanca Health and Rehabilitation	$64,768	1	46
Princeton Place (Albuquerque)	$5,814	na	na
Raton Nursing and Rehab Center	$1,950	1	32
Red Rocks Care Center (Gallup)	$28,468	1	19
Sagecrest Nursing and Rehabilitation (Las Cruces)	$8,000	na	na
San Juan Center (Farmington)	$975	na	na
Santa Fe Care Center	na	1	52
Sierra Health Care Center (T or C)	$20,248	na	na
Silver City Care Center	$49,629	1	9
Sombrillo Nursing Facility (Los Alamos)	$12,843	na	na
St. Theresa Healthcare and Rehabilitation Center (Albuquerque)	$3,900	na	na
Sunshine Haven at Lordsburg	$1,950	na	na
The Rio at Las Estancias (Albuquerque)	$10,166	1	28
Vida Encantada Nursing and Rehab (Las Vegas)	na	1	16
Total: 34 of 77 nursing homes	$653,111	20	Average 32 Days

Source: CMS

Appendix D: New Mexico Civil Monetary Penalty Rules

NMAC 7.1.8.11 CONSIDERATIONS FOR IMPOSITION OF INTERMEDIATE SANCTIONS OR CIVILMONETARY PENALTIES:
Before intermediate sanctions or civil monetary penalties are imposed, they will be reviewed and approved by the director of the public health division or his/her designee. The following factors shall be considered by supervisory personnel of the licensing authority when determining whether to impose one or more intermediate sanctions or civil monetary penalties:
A. death or serious injury to a patient, resident or client;
B. abuse, neglect or exploitation of a patient, resident or client;
C. regulatory violations which immediately jeopardize the health or safety of the patients, residents or clients of a health facility;
D. numerous violations, which combined, jeopardize the health or safety of patients, residents or clients of a health facility;
E. repetitive violations of the same nature found during two or more consecutive on-site visits or surveys of a health facility;
F. failure of a health facility to correct violations found during previous surveys or visits;
G. compliance history;
H. intentional deceit regarding condition of the facility;
I. effect of a civil monetary penalty on financial viability of the facility;
J. extenuating circumstances. Extenuating circumstances allow the licensing authority greater discretion to consider both mitigating and exacerbating circumstances not specifically defined.
[12/3/90; 5/13/93; Recompiled 10/31/01]

Source: New Mexico Administrative Code

Appendix E: CMS Long Stay Quality Measures

Examples of CMS Long Stay Quality Measures, 2011-2015

Long Stay Quality Measures	2011	2012	2013	2014	*2015
Percent of residents experiencing one or more falls with major injury	7.8%	7.8%	7.2%	7.2%	3.9%
Percent of residents who self-report moderate to severe pain	20.0%	17.2%	15.1%	15.1%	11.4%
Percent of high-risk residents with pressure ulcers	5.6%	4.9%	5.4%	4.5%	6.0%
Percent of low-risk residents who lose control of their bowels or bladder	35.9%	35.6%	32.9%	32.8%	43.4%
Percent of residents who were physically restrained	1.7%	1.0%	0.6%	0.4%	0.6%
Percent of residents who lose too much weight	6.2%	5.6%	5.4%	5.1%	7.2%
Percent of long-stay residents who received an antipsychotic medication	23.5%	21.9%	20.8%	19.1%	16.4%

Source: CMS