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FISCAL IMPACT REPORT

SPONSOR: SFC DATE TYPED: 3/19/03 HB _____

SHORT TITLE: Nursing Home Staffing Needs Pilot Program SB 506/SFCS

ANALYST: Dunbar

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
			Indeterminate See Narrative		

(Parenthesis () Indicate Expenditure Decreases)

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
		Indeterminate See Narrative		

(Parenthesis () Indicate Revenue Decreases)

Relates HB 578

Relates to HJM 25

SOURCES OF INFORMATION

Responses Received From

- Department of Health (DOH)
- Health Policy Commission (HPC)
- Human Services Department (HSD)
- State Agency on Aging (SAA)

SUMMARY

Synopsis of Bill

The Senate Finance Committee Substitute for Senate Bill 506 establishes yearlong acuity-based nursing home staffing pilot program. DOH must work in conjunction with the State Agency on Aging and the HSD. The pilot program to determine appropriate patient-to-staff ratios shall be based on best practices and include experience in existing nursing homes licensed by DOH. These homes must be operated by:

- The state of NM
- A nonprofit organization; and
- A proprietary organization

A report on the pilot is to be presented to Health and Human Services Committee and the Legislative Finance Committee at their July 2004 meetings.

Significant Issues

DOH notes that the pilot proposed in the bill was developed out of discussions subsequent to the presentation on the HM 90 study. The pilot is considered as an essential step toward enhancing the current cost reimbursement process for nursing facilities.

House Joint Memorial 90 from the 2002 session, and House Joint Memorial 25 (HJM 25) in the current session, both direct DOH to study the issues around acuity based staffing in nursing homes. HJM 25 directs DOH to continue their study of the complex issue and report back to the legislature in the fall of 2003.

The pilot program established by SB 506 substitute will assess nursing home staffing levels from an acuity-based perspective. Acuity-based care is a system of determining the type and frequency of direct care that a patient needs, based on the relative acuity of the patient's health status. The goal is to match the patient's specific needs with nursing staff that have the necessary skill and training levels, thus ensuring quality of care.

FISCAL IMPLICATIONS

There is no appropriation contained in the bill. State funding could be matched with federal funds on a 3 to 1 ratio. However, finding the funding to conduct this pilot program may be problematic for DOH. The bill does not address how DOH will fund the project. For example, DOH will have to use existing funding for planning, designing, implementing and evaluating this pilot and identify how much would be passed along to the nursing homes pilot sites to enable them to increase staffing levels to meet acuity. A project budget needs to be completed before implementation of the pilot program.

Human Services Department (HSD) would have to temporarily adjust the rates of the pilot facilities to meet the level of acuity. However, until the study in HJM 90 (last session) and HJM 25 (this session) is completed, HSD points out that the acuity rates would need to be based on some other source such as the Medicare RUGS system of acuity.

DOH need to work very closely with HSD to ensure the funding is set up in such a way to be eligible for Federal Financial Participation “Medicaid Match”.

ADMINISTRATIVE IMPLICATIONS

Reference is made to fiscal implications above on the funding the project.

DOH, in collaboration with the State Agency on Aging and HSD, would select pilot programs and project manager/evaluator through a request for proposal process. The DOH would manage the contract(s) and would enter into a MOU with HSD/Medical Assistance Division to transfer state funds for acuity based rate increases for the nursing homes in the pilot.

Nursing roles, now limited to RNs, LPNs and CNAs, might need to be augmented by other providers like the Certified Medication Aide (CMA) who would be added into the Nursing Service structure. These changes could lead to regulatory and licensing impact as well as expanded organizational liability issues and fears.

OTHER SUBSTANTIVE ISSUES

Currently, New Mexico has a staff ratio in state regulations – 2.3 hours for intermediate level of care and 2.5 hours of skilled nursing care. These hours are averaged on a 7-day period rather than a 24-hour period.

Currently, the Veterans Center in Truth or Consequences is utilizing an acuity-based model. Ombudsman reports indicate residents are satisfied with care and receive fewer complaints regarding staff shortage issues when this model is followed.

Consumers, family members and direct-care staff have raised concerns over the quality of care at nursing facilities citing:

- Reduced quality of life for the institutionalized elderly,
- Increased risk of harm,
- The inability of facilities to control organizational costs and
- Difficulty in recruiting and retaining competent and compassionate caregivers.

The absence of an objective approach to quantify appropriate levels of care and appropriate staffing levels, according to DOH, has led to subjective decision-making processes that emphasize cost control rather than the quality of care. Acuity-based staffing could make an important contribution toward overall performance improvements.

According to a study done by the US Department of Health and Human Service, Bureau of Health Professions “*The Health Care Workforce in Eight States: Education, Practice and Policy*” New Mexico ranked lowest among the 8 states studied in RN’s and LPN’s per 100,000. New Mexico was also lower than the national average.

A 2001 AARP study reported the following regarding nursing homes:

- Currently, nursing homes are experiencing serious staffing shortages, especially among CNAs.

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- Annual turnover rates of 100 percent are not uncommon in nursing homes; some homes have seen a 300 percent turnover in aide positions.
- High turnover rates of nursing home staff is partly due to more appealing competitive health care profession opportunities or services, and low pay, limited advancement, poor management-employee relations, and difficult work.
- Federal law requires that nursing facilities maintain a sufficient level of nursing staff to meet resident needs on a 24-hour basis; however, the law does not define “sufficient.”

BD/njw