Financing the Development of Specialty Care LTC Services – Innovative Approaches by States
7/21/2009
Findings
General observations

- Rhode Island has a history of using innovative approaches such as capital access pools, waivers and other mechanisms to develop capacity in the mental health and MR/DD capacity to support deinstitutionalization – lessons learned from those programs should be applied to developing specialty care services.

- However, for specialty healthcare needs outside of the MH/MRDD populations the lack of integrated health planning across the acute / post acute / long term care sectors has created real capacity challenges for medically fragile populations.

- A combination of reimbursement reform, conversion incentives and capital access programs are required to rebalance the state’s long term care system for the most expensive medically fragile populations.

- Additionally policies such as Perry Sullivan or the Housing Development bonds are “best practices” what is not clear is how those best practices at a policy level are actively implemented in ways that meet the policy objectives.
## Summary of approaches for specialty care programs

<table>
<thead>
<tr>
<th>Approach</th>
<th>Discussion</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Medicaid Waivers</em></td>
<td>27 states use waiver authority for TBI/SCI populations</td>
</tr>
<tr>
<td></td>
<td>4 states have ventilator dependent specific waivers</td>
</tr>
<tr>
<td></td>
<td>Florida has an alzheimers’ specific waiver</td>
</tr>
<tr>
<td></td>
<td>Given the global waiver no additional information is provided</td>
</tr>
<tr>
<td><em>Trust Funds</em></td>
<td>9 states have TBI/SCI trust funds to provide supplementary support and care coordination services</td>
</tr>
<tr>
<td></td>
<td>12 states have TBI only trust fund programs</td>
</tr>
<tr>
<td></td>
<td>Examples follow</td>
</tr>
<tr>
<td><em>Capital Pools</em></td>
<td>9 states have targeted capital pools at developing supportive housing (RI is one of those states)</td>
</tr>
<tr>
<td></td>
<td>Several states have capital pools to finance nursing home conversion</td>
</tr>
<tr>
<td></td>
<td>Examples follow on nursing home conversion</td>
</tr>
<tr>
<td><em>Reimbursement Mechanisms</em></td>
<td>Typically done through case mix adjustments</td>
</tr>
<tr>
<td></td>
<td>ACS should provide additional detail</td>
</tr>
</tbody>
</table>
NJ Special Needs Housing Trust Fund

- **Created:** 2005
- **Authorization:** Ch. 163 NJ Public Laws
- **Purpose:** provide capital financing to support development of permanent supportive housing
- **Governance:** NJ Housing and Mortgage Finance Agency
- **Source of Funding:** Motor Vehicle Surcharge Securitization
- **Amount Funding:** $200 million in capital to be disbursed over 10 years

- **Use Guidelines:**
  - Priority for projects that require less than 50% financing for project development
  - Financial structure that provides for at least 30 years of affordability
  - Can be combined with Low Income Housing Tax Credit (LIHTC)
  - Provides a full continuum of care as prescribed by HUD CoC model

- **Eligible Populations:**
  - Mental illness (preferred group)
  - Development disabilities
  - Domestic violence
  - Ex offenders and adjudicated youth
  - Homeless (veterans, youth, families)
  - HIV/AIDS
CO Brain Injury Trust Fund

- **Created:** 2002
- **Authorization:** Legislature: Ch 26
- **Purpose:** Provide supplementary support services to those with acquired brain injury
- **Governance:** 13 person board; administered by Colorado equivalent of DHS
- **Source of Funding:** $15 per DUI conviction; $10 per speeding ticket
- **Amount Funding:** ~$1.5 to $2 million per year

- **Use Guidelines:**
  - Not structured as an entitlement program
  - Primary role is to pay for care coordination services through a contracted vendor – Denver Options Inc.
  - Can also be used to purchase up to $2000 annually in supplementary services for a 12 month period
    - Care coordination plan must be in place
    - Payment rates for services are predetermined

- **Eligible Populations:**
  - Acquired brain injury
GA Brain & Spinal Injury Trust Fund

- **Created**: 1998, first funds distributed in 2002
- **Authorization**: Constitutional Amendment
- **Purpose**: Provide supplementary support for persons with acquired brain or spinal injury
- **Governance**: 15 person board; administered by Trust Fund
- **Source of Funding**: 10% surcharge on DUls and donations; an appropriation of $150,000 is made for administration of fund
- **Amount of Funding**: ~ $1.8 million per year

- **Use Guidelines**:
  - Payer of last resort
  - Need-based determination
  - Lump sum distribution award
  - Applicant provides cost request

- **Eligible Populations**:
  - Acquired brain and spinal injuries
Nursing home conversion program models

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

### Approach

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**Voluntary Closure / Conversion Programs**

- LTC providers provide proposals for voluntary closure or conversion
- Typically beneficial rate adjustments occur for nursing homes that permanently delicense beds on a voluntary basis
- Typically a bed conversion program is also tied to voluntary closure but these are not necessarily intertwined programs
- NOTE: Minnesota substantially changed its initial program because of the slow speed of participation and closure

### Discussion

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- Incentives to get participation
- Screening and evaluation criteria are critical to managing “unintended consequences” of voluntary adjustments to capacity
- Basis for the “closure” fee
- Ensuring that beds that are closed or converted are “medicaid” beds to ensure CMS participation
- How to handle a complete facility conversion where CMS participation may be limited
  - Nebraska and Iowa self-funded their programs
  - Single bed creation

### Considerations

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- Arguably RI has this approach in place on a *de facto* basis
- It is unclear whether RI has any deliberate policy on “bed layaway” and how beds can be brought back into service

### Bed Layaway Programs

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- Beds can be temporarily mothballed without being delicensed
- An adjustment payment is made to reflect this change in status
- Limits are placed on the duration a bed can be brought back into service from layaway
Nursing home conversion program models (continued)

- Nursing home bed conversion programs fall into four categories

<table>
<thead>
<tr>
<th>Approach</th>
<th>Discussion</th>
<th>Considerations</th>
</tr>
</thead>
</table>
| Capital Access Programs | - Modeled after federal Base Realignment And Closure (BRAC) process  
- Number of beds that need to be realigned are determined by statewide commission  
- Permanent closure or conversion proposals are provided  
- Grant programs provide closure or conversion funds | - RI Housing and/or RIHEBC will need to be involved  
- Capital market situation may require state capitalization or some form of guarantee for the debt  
- For facilities not within CDBG entitlement communities community with the state CDBG program may be warranted |
Key to any program is how the money can be used

Example: HEAL NY Rightsizing Demonstration

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

<table>
<thead>
<tr>
<th>Applicant Name</th>
<th>Award Amount</th>
<th>Project Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Presbyterian Home for Central New York, Inc.</td>
<td>$1,700,000</td>
<td>This project will modernize and reduce capacity at the unique Parkinson program which will result in a less restrictive environment.</td>
</tr>
<tr>
<td>Folts Homes Inc.</td>
<td>$900,000</td>
<td>This project will help Folts home and the Mohawk Valley nursing home join in a shared service program that will result in the conversion of 8 nursing home beds to adult day health care slots.</td>
</tr>
<tr>
<td>Central Region Awards Total</td>
<td>$2,600,000</td>
<td></td>
</tr>
<tr>
<td>Schnurmacher Center for Rehabilitation and Nursing</td>
<td>$2,000,000</td>
<td>This project will reduce 25 beds and provide for more efficient and quality care at the facility.</td>
</tr>
<tr>
<td>Hudson Valley Region Awards Total</td>
<td>$2,000,000</td>
<td></td>
</tr>
<tr>
<td>Good Samaritan Nursing Home (Lead Applicant)</td>
<td>$3,200,000</td>
<td>This project will reduce 100 beds in Suffolk county and help the system collaborate on various rightsizing options including additional hospice residential capacity.</td>
</tr>
<tr>
<td>Our Lady of Consolation Geriatric Care Center, St. Catherine of Siena Nursing Home</td>
<td>$5,000,000</td>
<td>This project will reduce capacity in Nassau county by over 260 beds.</td>
</tr>
<tr>
<td>A. Holly Patterson Extended Care Facility</td>
<td>$8,200,000</td>
<td></td>
</tr>
</tbody>
</table>
Other Potential Vehicles not Typically Used in RI
Other potential sources of capital for specialized long term care physical infrastructure

New Market Tax Credits

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

Community Development Block Grants

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

Source: GAO.

*Only a for-profit CDE can receive qualified equity investment from NMTC investors. These CDEs can then make investments in other CDEs that could be for-profit CDEs or nonprofit CDEs or they can directly invest the NMTC funds in low-income communities. However, both for-profit and nonprofit CDEs can receive allocations from the CDFI Fund. If a nonprofit CDE receives a NMTC allocation from the CDFI Fund, it must transfer the allocation authority to a for-profit CDE before NMTC investments can be made.
FY 2007 NMTC National Project Funding for Healthcare Facilities

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

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

Source: US Treasury Department Statistics; NP analysis of individual projects
## RI NMTC FY 2007 Utilization

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

Source: US Treasury CDFI database
Example of use of NMTC in financing innovative LTC facilities

- 100 unit “green house” – first NH CON issued in Massachusetts in 10 years
- 20 beds are allocated to highly specialized patient groups
  - One set of 10 units is the first and only in existence in the US facility dedicated to permanent residence for ALS patients
  - Another 10 units will be dedicated to MS patients
  - These units have built-in assistive devices and sensor technology to support independent living and mobility within the complex
- Revenue mix anticipated to be 50% Medicaid
- $29 million in new market tax credits allocated to project
- NCB Capital lead financing entity – lead developer in Green House Rapid Replication program of RWJ Foundation
- Tax credit financing in part provided by MASS Housing Investment – a CDE subsidiary of the MASS equivalent to RI Housing
  - There is no CDE specific to RI
  - RI is served by several national CDE
RI and key entitlement communities used approximately $2.9 million or about 19% of their CDBG funds toward housing

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

Use of CDBG Funds for Housing Rehabilitation
FFY 2008

- RI: 13.5% Single family, 5.7% Multi-Family
- US: 12.8% Single family, 1.2% Multi-Family

Source: NP analysis of CDBG fund use by matrix code
RI and key entitlement communities used approximately $5.3 million or about 34% of their CDBG funds toward public improvements

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

Use of CDBG Funds for Public Improvements
FFY 2008

<table>
<thead>
<tr>
<th>RI</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>34.2%</td>
<td>54.7%</td>
</tr>
</tbody>
</table>

Source: NP analysis of CDBG fund use by matrix code
Moving Forward
Integrated conceptual strategy framework for a RI closure / conversion program to assist in rebalancing the system

- **Capacity Transformation**
- **Capital to Support Transformation**
- **Cash Flows to Support Transformed Capacity**
- **Bed Lay Away Program**
- **Capital Access Pool**
- **Reimbursement Structure**
- **Target # Beds for Closure / Conversion**

Linkage essentially exists today at a rudimentary level

Under way but linkages and policy “line of sight” unclear

Ninigret Partners
Issues for consideration and “to – do’s”

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

### Target # Bed for Closure / Conversion
- Identify medicaid beds
- Identify amount of and type of capacity to be transformed and/or created to support reform and cost objectives
- Replacement and reuse rules
- Regulatory / CON changes

### Bed Lay Away Program
- Add rules about returning beds to service

### Reimbursement Structure
- Bed valuation methodology
- Closure / conversion incentive level
- Payment methodology for new and existing capacity

### Capital Access Pool
- Required size of capital pool
- Allowable costs
- Balance between loans & grants
- Coordination with RI Housing and CDBG program

Resource mapping is occurring but linkage back to reform and cost objectives is not explicit.