Q: What are hospital-based skilled-nursing facilities? How are they different from freestanding skilled-nursing facilities?

A: In contrast to freestanding skilled-nursing facilities, hospital-based skilled-nursing facilities — also known as distinct-part skilled-nursing facilities (or DP/SNFs) — care for patients of greater medical complexity and are often the only option for patients with specialized medical or behavioral needs or for people living in rural areas. They are owned and operated by hospitals.

Q: Where are hospital-based skilled-nursing facilities located?

A: They are located throughout the state, including many rural areas, where they are often the only skilled-nursing facilities in the community. In urban areas, they are an essential part of the health care safety net. In the last five years, approximately 40 hospital-based skilled-nursing facilities in California (about one-third) have closed due to financial pressures.

Q: How are these services paid for?

A: Medi-Cal beneficiaries make up nearly 80 percent of the patients receiving hospital-based skilled-nursing care. Currently, Medi-Cal payments cover just 84 percent of costs, and many facilities report greater shortfalls. Medi-Cal's per diem rates are established based on cost reports submitted by each facility to the state Department of Health Care Services. Facilities are paid a rate equal to their reported costs or the median cost for facilities across the state, whichever is less.

Q: What is Assembly Bill 97? What effect has it had on hospital-based skilled-nursing facilities?

A: Passed by the California Legislature in 2011, Assembly Bill (AB) 97 reduces Medi-Cal reimbursement rates for services for these facilities to rates that were applicable in 2008-2009, less 10 percent. The legislation authorized the rate cut to be retroactively applied to June 1, 2011.

Implementation of the rate cut was initially prevented by a lawsuit brought by several provider groups. A subsequent court decision in December 2012 reversed the previous decision. The state plans to proceed with implementation of the cuts and retroactive recoupment to June 2011, in the coming months.
Q: What will happen if the AB 97 cuts are implemented?

A: The pending cuts will cause many hospital-based skilled-nursing facilities to close or reduce services, and the state has no plan to provide appropriate alternative settings to any patients who will be displaced. There aren’t enough available spots for these patients, even if they are moved away from their families and communities.

The reduction of rates to 90 percent of 2008-2009 Medi-Cal funding levels results in an average effective rate decrease of 25-40 percent from current rates. Funding for care in several facilities will be reduced by many millions of dollars. Retroactive recoupment for the period of time since June 1, 2011, will result in devastating financial hardship for many hospitals.

In rural areas, where these facilities often provide essential infrastructure to the overall hospital operation, the loss of funding will undermine the financial viability of the hospital as a whole and will jeopardize all hospital services if forced to close.

Throughout California, the remaining skilled-nursing facilities in hospitals are already at capacity and have long waiting lists. If additional facilities close, many displaced patients will have no place to go, and patients will lose access to medically necessary care.

Q: Do hospital-based skilled-nursing facilities provide cost-effective care?

A: Rehabilitative care provided by hospital-based skilled-nursing facilities is cost-effective by helping patients recover more quickly and return to their homes. Without hospital-based skilled-nursing care, patients will remain in the acute-care hospital longer, adding greater costs to the health care system than any short-term savings claimed through the proposed cuts.

Patients and residents in these facilities have shorter lengths of stay and achieve better outcomes when compared to patients and residents of freestanding skilled-nursing facilities. Acute hospital readmissions are also lower for hospital-based skilled-nursing facilities.

Q: What are the community impacts of these funding cuts?

A: Hospital-based skilled-nursing facilities support timely transition of patients from the acute hospital setting by providing medically necessary care and ensuring that acute hospital services are available for other patients who need them.

If the funding is further cut, many elderly and disabled Medi-Cal patients will end up staying longer in acute-care beds because there is simply nowhere else for them to go.