



Oregon

John A. Kitzhaber, M.D., Governor

**Department of Human Services
Aging & People with Disabilities
Administration**

500 Summer Street NE, E-02

Salem, OR 97301-1073

Voice (503) 947-5476

FAX (503) 373-7823

Date: April 1, 2013

TO: The Honorable Mitch Greenlick, Chair
House Health Care Committee

FROM: Michael McCormick, Deputy Director
Aging and People with Disabilities
Oregon Department of Human Services
503-945-6229

SUBJECT: HB2056 –Nursing Facility Capacity Reduction

Chair Greenlick and members of the Committee; I am Michael McCormick, Deputy Director of Aging and People with Disabilities (APD) with the Department of Human Services (DHS). I am testifying in support of HB2056. The Governor's Balanced Budget included this legislation to ensure that services in Oregon's long term care system are sustainable into the future.

Background

Since 1990, there has been a steady decline in nursing facility occupancy rates in Oregon. Even though the population is aging, occupancy rates are declining. A 2012 AARP study showed that Oregon's occupancy rate of 63 percent was the lowest in the nation, with 83.7 percent being the national average. It has recently declined even further, with the latest measurement showing an occupancy rate of less than 61 percent.

Because of Oregon's effective home and community based care system, residents do not use nursing facilities at the same rate as other states. Inefficient utilization increases costs to the State and will ultimately threaten financial solvency of some facilities.

"Assisting People to Become Independent, Healthy and Safe"
An Equal Opportunity Employer



Solution

DHS worked with the Oregon Health Care Association and other stakeholders for over a year on this legislation. HB2056 represents a collaborative strategy to address the declining occupancy rates, which should result in a more effective and efficient system. Benefits include:

- Bending the cost curve for Medicaid-funded nursing facility services.
- Increased quality for nursing facility residents.
- Replacement of outdated nursing facilities with more modern facilities.
- Development of more community based resources.

Key components of this legislation include:

- Establishing a statewide bed reduction target of 1,500 beds by December 31, 2015 that will bring Oregon's occupancy rate closer to the national level;
- Providing a market for incentives for local communities and providers to purchase and scale down unused capacity;
- Providing exemption from state antitrust laws, through supervision by DHS;
- Exempting "essential long term care facilities" from participating in the initiative to promote stable capacity in rural and frontier nursing communities;
- Eliminating the ability of nursing facilities to increase capacity without going through a full certificate of need process;
- Requiring the Oregon Health Authority to complete certificate of need reviews within 120 days of receipt;
- Reducing nursing facility rates if identified targets are not achieved; and
- Sunsetting the capacity reduction laws on June 30, 2020.

Thank you for the opportunity to testify before you today in support of HB2056. I am happy to answer any questions you might have.