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Final Report - Executive Summary

Evaluation of Long- Term Care Options For South Dakota

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Department of Social Services
State of South Dakota
Office of the Secretary
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1. Executive Summary

1.1. Overview of the Study

South Dakota is committed to finding solutions to meet the needs of its elderly citizens as evidenced by overwhelming support for House Bill 1156, which passed in 2006. Through this legislation, South Dakota requested a comprehensive review of the State's long-term care system. This review comes at a time when the State faces both challenges and opportunities in designing a system of long-term care that promotes the health of its citizens, preserves independence, guards dignity and is fiscally responsible. The South Dakota Department of Social Services has been actively working with key stakeholders across the state to address and identify challenges. Among the issues facing the State are:

- An aging population;
- Geographic mismatch between the places where services exist today and the places where the elderly population is expected to grow over the next 20 years;
- Historically low utilization of home and community based services that can help seniors fulfill their desire to remain independent and in their homes;
- Aging skilled nursing facilities;
- Shortages of front-line health care workers;
- Sharply rising costs of care coupled with tightening of Federal dollars for program support and provider reimbursement; and
- Inadequate individual planning and financing of long-term care costs. Limited use of long-term care insurance.

Abt Associates was contracted by the State to assess and evaluate South Dakota's long-term care (LTC) system through the following 4 tasks:

1. **Evaluate South Dakota's long-term care system in terms of utilization, cost, quality of services and outcomes for the elderly residents of the state across the continuum of care.** Data was collected on nursing facilities, assisted living care, skilled home health services, adult day services, nutrition services, senior centers and personal care services. In-depth interviews were conducted with providers, senior organizations and tribal representatives across the state. The meetings and interviews moved beyond the numbers to identify individuals' concerns and emerging initiatives at the community-level.
2. **Project future long-term care needs, future capacity.** Abt Associates forecasted future LTC needs in the State. Projections forecasted the types of services that would be required to meet the needs of the population, using assessment tools, analytic models and expert opinion to evaluate options for skilled nursing services, assisted living, community based services, home care and family support. Analyses paid close attention to matching services with needs across urban, rural and frontier areas. The study also prepared estimates of the size of the health care workforce that would be required to deliver care across the continuum of settings.

3. **Identify policy options based on practices in other states.** Abt Associates conducted a state environmental scan to identify promising models for (1) right-sizing nursing home capacity and (2) rebalancing care to increase the use and effectiveness of assisted living and home and community based services (HCBS). Options were presented to the LTC Subcommittee for discussion.
4. **Form policy recommendations.** In collaboration with LTC Subcommittee and the State, findings and policy options were crafted into actionable recommendations.

1.2. Findings

1.2.1. Growth in the Elderly Population will Fuel a Rising Demand for Services

Demand for long-term care services is projected to grow sharply over the next two decades. By 2025, in South Dakota:

- The number of elders (over age 65) will double: increasing by 92,000-105,000 and reaching 24% of the State's population;
- Disabled elders will increase by 42,000-50,000, reaching over 10% of the State's population; and
- The number of disabled elders living in the community will rise by 20,000-40,000, depending upon the availability of home and community based care.

Growth is not evenly balanced across the State:

- Elder-population growth is greatest in the West River, and slowest in the East River regions;
- The regions that encompass the Sioux Falls metropolitan area and the Rapid City/Northwest counties will have fastest rates of growth, as well as the largest increases in the numbers of elders;
- The rapidly growing counties around Sioux Falls will witness a 250% growth in their senior populations; and
- The counties around Rapid City will see a 235% growth in the numbers of seniors, reflecting the migration of seniors from rural and frontier areas to areas affording retirement amenities and health care facilities.

1.2.2. South Dakota Needs to Rebalance and Replace Nursing Facility Capacity

In 2005, South Dakota used six nursing home beds per 100 elders compared to a national average of 4.8. This is the 10th highest rate of use in the U.S. Nursing home beds are unevenly distributed across communities in the State and available capacity is not where the elderly population is growing:

- Slow growing East River counties averaged 7.2 nursing home beds per 100 seniors in 2005;
- Rapidly growing West River counties had 3.8 nursing home beds per 100 seniors in 2005.

Abt Associates forecasted the future demand for nursing home facilities under 3 scenarios:

Scenario 1: Assumed the status quo in terms of nursing home, assisted living and HCBS use. By 2025 over 12,000 nursing home beds would be required, statewide.

Scenario 2: Assumed that nursing home utilization can be reduced to 5% of the elderly population by 2025, following national trends. By 2025, over 10,100 beds are required.

Scenario 3: Assumed that nursing home utilization can be reduced to match the national average utilization rate (4%). By 2025, over 8,300 beds are required.

Under Scenario 3, where the State is successful in rebalancing LTC to match national norms, nursing home bed requirements approximate the Moratorium cap. However, there is an acute need to shift capacity within the State.

- Western counties are expected to encounter shortages in the very near term, perhaps by 2010.
- A substantial number of the rural and frontier counties in the eastern and central parts of the state have excess capacity through 2025, and likely beyond, since elderly populations peak around the year 2025.
- The regions that include the Sioux Falls metropolitan area and the counties around Rapid City witness the greatest need for additional beds, both in percentage and absolute terms. The Sioux Falls region will require the addition of 400 beds; the region around Rapid City will require approximately 250 new beds over the next 20 years.

Nursing homes are old and in need of renovation and replacement to meet modern standards for delivering care.

- 45% of facilities were originally constructed 40 or more years ago, and exceed the depreciable life for nursing homes.
- Many of the oldest facilities are in areas with the sharpest growth in elders, many others are in sparsely populated rural areas in the east. Rather than renovating existing facilities, the State has the opportunity to consolidate and to replace aged structures with newer facilities that can offer more efficient and effective care.
- Older facilities are more likely to report operating losses, lack sprinklers and have lower quality of care scores, as reported by CMS.

1.2.3. South Dakota Needs to Target Assisted Living Capacity Towards Growing Regions

Assisted living has grown substantially in the past decade. South Dakota ranks slightly above national averages in terms of available beds. Growth in assisted living (AL) has eased the flow of elders into nursing facilities. Existing capacity, however, is scattered.

- Eighteen counties in South Dakota currently have no assisted living facilities; others show evidence of excess capacity and unfilled beds.
- At current rates of growth, many areas of the state will require increased growth in AL capacity if the State wishes to reduce reliance on nursing home care.

1.2.4. South Dakota Needs to Expand Home Health Care Services

South Dakota ranks second lowest in the U.S. in terms of utilization of skilled home health episodes, reporting only 5 Medicare and Medicaid home health episodes per 100 elders, compared to a national average of 12 episodes per 100 elders.

- In 2006, 19 counties were served by no, or at most one, home health agency.
- Moving to national norms for home health use would require doubling capacity immediately and increasing capacity 3-4 fold by 2025 to meet population growth.

1.2.5. South Dakota Needs to Expand Home and Community Based Services

Adequate home and community based services are instrumental to reducing nursing home utilization and to improving the quality of independent living for aging seniors. HCBS are limited in South Dakota, due to the difficulty of providing “community based” services in very sparsely populated areas where there are few communities and a limited workforce.

- Rural and Frontier areas face particularly low availability of HCBS;
- 34 counties have no adult day service facilities;
- 28 counties have no, or at most one, senior center per 1,000 elderly residents;
- 18 counties have no, or at most one, nutrition programs per 1,000 elderly residents
- Every county in South Dakota is served by a homemaker agency, but 40 counties have no homemaker agencies located in their borders. Service is fragile and there is a high rate of entry and exit of service providers.

1.2.6. The Labor Force is not Keeping Pace with the Growth of Elders: Shortages are Imminent

In 2000, 37% of South Dakota’s population was between the ages of 18 and 44, an age bracket that represents most of the front line health care job seekers. By 2025 this share will fall to under 29%. Young folks continue to move away, leaving a growing elderly population. The decline is particularly large in frontier counties. A workforce shortage is evident today. In site visits and interviews, providers said that staffing shortages were a top operating concern.

- Survey data show that staff turnover rates are high: averaging 20% for RNs and LPNs, and over 40% for CNAs.
 - Turnover rates are highest in the West Region followed by the Southeast Region, where there has been the highest growth in the demand for health care services.
- Survey data documented a gap between budgeted and staffed positions for RNs and CNAs that followed the same geographic pattern as turnover.
 - The shortage of RNs ranged from 4% in the Central counties to 11% in the West.
 - CNA shortages averaged 4%.

Shortages will get much worse in the next 20 years. The pool of potential workers shrinks by 6% statewide, growing only modestly in the Sioux Falls and Rapid City regions. The central and northeast portions of the state will witness a 20% decline in the size of the working-age population. At the same time, the number of disabled elders in need of services doubles statewide and increases faster West River and in the Sioux Falls metropolitan statistical area.

- At today’s staffing and job entry rates, there may be a 60-150% increase in the number of disabled seniors requiring care for every available worker.
- The forecasts indicate a significant and widespread shortage of both CNAs and nurses.
- Rebalancing long-term care services and reducing use of nursing home care cuts the estimated staffing shortage in half, but does not eliminate it. Similarly, increasing wage rates would attract nurses from other states and other health care services, narrowing but not eliminating the shortage.

1.3 Policy Options

The study recommends an agenda for action:

1. **First, set goals and adopt policies that reflect rebalancing. Right-size the industry:** Assure access for the population at risk by developing a “Critical Access Model” that encourages the development of smaller efficient forms of care in areas that are currently underserved, or that are served by facilities that can not remain viable in the longer run.
2. **Provide flexibility when building new capacity and develop adequate financing:** Seek exceptions to the Moratorium that permit bed trading from low growth to high growth regions, and develop financial and loan plans that will move financial capital to priority areas.
3. **Expand Home and Community Based Services across the State:** Rebalance the continuum of long-term care to provide citizens with care options that will permit them to remain independent and in their communities for as long as possible.

Eight specific policy recommendations were made:

1. Implement bed trading by an exception to the Moratorium mechanism for high-need areas.
2. Pursue means to provide Medicaid-certified nursing facilities in South Dakota with low-interest financing for capital improvements and to provide financial assistance to foster the growth of HCBS infrastructure which could include a revolving loan fund (RLF), provision of bonds, or other mechanisms.
3. Continue to evaluate and modify the Medicaid reimbursement rate setting structure to a) better fund facility depreciation and capital improvements in all Medicaid-certified nursing facilities, and b) promote the growth and expansion of HCBS, specifically adult day services.
4. Monitor and consider novel, flexible forms of nursing facility organization for nursing facility replacement to improve satisfaction among residents remaining in facilities and establish small more flexible and efficient facilities in sparsely populated areas.
5. Explore options to develop “One-Stop Shops” that provide information, assessment, and referral to appropriate services.
6. Increase programmatic integration of long-term care service management within the Department of Social Services.
7. Monitor future opportunities for federal funding that support rebalancing long-term care.
8. Continue to support expansion of LTC insurance through LTC Partnership Programs and other initiatives to improve seniors’ financial planning and insurance coverage, leading the way to more independent living choices and reducing the burden on state financing of LTC.