

Island Nursing Home Board Report

Introduction

In August, 2021, due to a severe shortage of qualified nursing staff, the Island Nursing Home (INH) made the difficult decision to relocate its residents to other facilities and temporarily close its doors.

When we closed, the State of Maine and CMS agreed to “suspend” our state licenses and Medicare certifications so that we could keep them until we determined whether we could reopen. With these extensions, our licenses with the state now expire in February, 2023 and our certifications with the Centers for Medicare & Medicaid Services (CMS) expire in October, 2022.

Once all of our residents were placed in different facilities, we set out to make a plan for reopening the nursing home. To accomplish this, we sought input from a variety of sources including:

- A Task Force of community members
- PretiFlaherty, a law firm with special expertise in matters related to nursing homes
- Covenant Health, a regional health delivery network with nursing and assisted living facilities throughout New England
- The State of Maine Department of Health and Human Services (DHHS)

With this counsel, and a detailed analysis of our financial data and staffing needs, we have worked to determine whether it would be possible to reopen and operate as a nursing home in the current healthcare environment, with a focus on 4 key areas related to Finances, Staffing, Housing, and Fundraising.

Unfortunately, this analysis has shown:

- Financial viability depends on fully staffing the INH skilled nursing care unit
- INH will not be able to staff the skilled nursing care unit to meet regulatory requirements before the CMS Medicare certifications expire in October, 2022
- Unless there are major legislative and regulatory changes to the MaineCare/Medicaid reimbursement system in Maine, it is unlikely that INH will be able to retain its current licenses or acquire new licenses needed to operate as a nursing home in the future

Because INH has been such an important part of our community, there have been many questions throughout this process. After some brief background below, we have organized our research and conclusions around these frequently asked questions.

Background

The nursing home is currently licensed to operate two kinds of care: *Skilled Nursing* and *Residential*. Our licenses include 38 skilled nursing beds and 32 residential care beds. As the name implies, the skilled nursing beds require specially trained and certified medical staff to provide care.

These services are paid for in one of three ways. First, the resident or their family can pay for the care directly from their own resources (we call this “private pay”). Second, medical care and services may be covered by a patient’s private long term care insurance. Third, and most commonly for our community, the costs are covered by the State of Maine (MaineCare/Medicaid) or by CMS (Medicare). In order to qualify for these payments by the state or CMS, we have to adhere to a long list of regulations that affect our staffing, our facility, and the services we can offer.

A variety of staff are required to operate the facility including nurses (e.g. RN), aides (e.g. CNA), and other staff (e.g. dietary, housekeeping, facility, admin, etc.). Because the education and certifications of these various staff positions are carefully regulated and vary widely, so do their cost and availability. These staff members can be hired as full-time employees or contracted from outside staffing agencies. Contracts for agency staff are typically limited to 3 months with options to renew if the contractor agrees.

Frequently Asked Questions

How come INH had to close in the first place?

In order to make operating the nursing home sustainable, we need to hire staff that live nearby as full-time employees. This has been our most difficult challenge for years. Because state and federal regulations dictate how many staff we need, and set forth required ratios of staff based on licensed occupancy levels, we have been slowly reducing the number of residents at the nursing home for a few years since we could not find enough staff to meet all these requirements. We also sought to counter our growing difficulties in hiring sufficient full-time employees by paying staffing agencies for contract employees. When we hire RNs or CNAs this way it is much more expensive but we have had no choice because local staff is unavailable. During the year prior to closing the *additional* expense of paying for contractors instead of employees grew to approximately \$600,000.

However, in the Fall of 2021, when it became impossible to find even enough contract staff, we projected that we would fall below the minimum staffing level required by regulations by the end of September, 2021.

Unlike some traditional businesses, a nursing home can't just choose to "do less" when it is short staffed. We are required by the state and CMS to have a minimum number of qualified staff around the clock in order maintain a safe environment for those under our care.

Because it was imperative that we find safe places to care for our residents, we chose to move them to other facilities while we looked for longer term options to try to address our staffing crisis.

How come INH didn't see this coming?

INH had been striving to actively manage this growing staffing shortfall for several years. This included reducing the number of beds that we filled, hiring more contract staff, shopping for housing to attract full-time staff, raising wages, renting housing units, increasing benefits, implementing flexible scheduling, training CNAs and managing costs to cover the increased expense of contractors. While this was challenging, it was manageable. Then, a confluence of events in the summer of 2021 made the situation far more urgent:

- The rapid decline in available healthcare staff due to the pandemic
- Several of our contract staff who chose not to renew their contracts
- Several staff members chose not to receive a COVID-19 vaccination

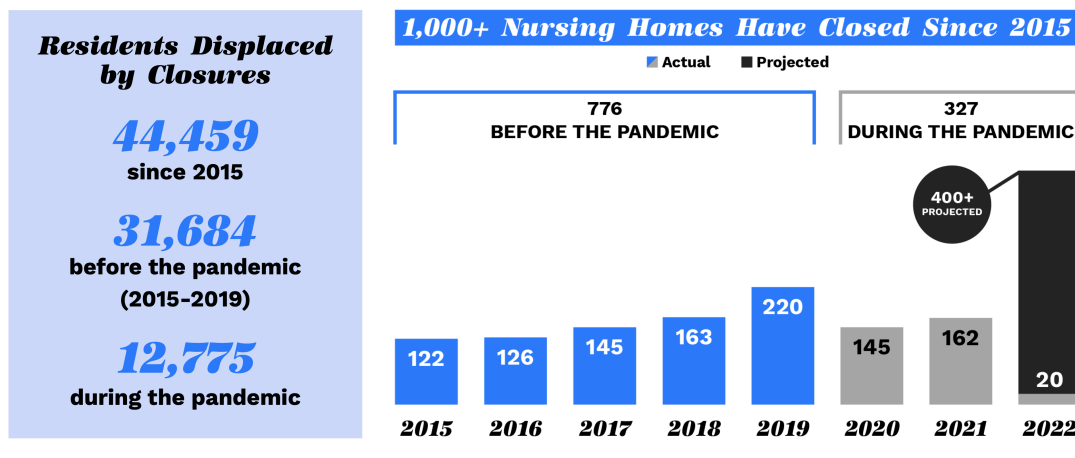
How come INH can't hire staff?

Finding qualified staff for nursing care facilities is not a problem limited to Deer Isle or even Maine...it is a national crisis. A recent analysis of CMS data ranked Maine as third in the country with 38% of the facilities in state reporting staffing shortages in 2022 (an 18% increase over 2020).

Rank	State	Facilities with Staffing Shortages	% Increase From 2020 - 2022
1	Minnesota	41.40%	18.4
2	Washington	37.90%	19.9
3	Maine	37.70%	18.2
4	Kansas	36.10%	17.1
5	Wyoming	35.00%	20.6

<https://www.seniorly.com/resource-center/seniorly-news/states-hardest-hit-by-long-term-care-staffing-shortage>

These staffing shortages are a key contributor to the fact that 300 nursing homes have closed in the US since the beginning of the pandemic and 400 more are expected to close in 2022.



<https://www.ahcancal.org/News-and-Communications/Fact-Sheets/FactSheets/SNF-Closures-Report.pdf>

Several of the nursing care facilities with which we consulted reported that the staffing challenges have continued to deteriorate since we closed. One even felt they would be surprised if they were still open a year from now.

There are a variety of factors contributing to the staffing shortages. These include:

- a general trend that the healthcare workforce in the US has been declining for years as older workers retire
- a spike in healthcare workers leaving their jobs due to burnout from dealing with COVID-19 pandemic
- RNs and CNAs are choosing to work as contractors because they can make a lot more money and travel to a variety of interesting places
- some healthcare workers choose not to get vaccinated against COVID-19 and are therefore prohibited from working due to the vaccine mandates
- it's hard, stressful work and the current job market makes it easier to find less challenging jobs that pay more
- in our community, many workers only want to work at the nursing home in the off-season, but we are a year-round, 24-hours-a-day operation
- difficulty finding affordable housing near the nursing home

During 2020 and 2021, we exhausted every available recruiting option we could find and we still had 37 unfilled positions when we closed. Perhaps if there had been more affordable housing options available we might have been able to fill a few more of these positions, but we would still have been severely understaffed. ***In the current healthcare market, and despite our best efforts, there are simply not enough qualified nurses available for us to staff the nursing home in accordance with State and Federal regulations.***

I heard INH could bring nurses in from other countries. What about that?

This is actually a key part of the strategy that Covenant Health is employing to satisfy their staffing challenges. They offered to help us participate in a program that brings nurses from the Philippines to come live and work on Deer Isle with a three year commitment. The Philippines has a significant number of highly trained nurses wanting to relocate to the states, so this seemed like a promising option. However, this program has a large backlog which has been aggravated by pandemic-related immigration

challenges. Covenant and other organizations have been waiting 12-18 months for nurses to arrive. We learned that INH would have to pay \$1,100,000 ahead of time just to make the request for the nurses we need and then wait 12-24 months for them to (hopefully) arrive. This, of course, also assumes that we could find a way to house them year round for three years.

So, while we may be able to get nurses from abroad 2 years from now, there is no chance that we can get them before our licenses with CMS expire in October, 2022.

Don't we have lots of nurses and CNAs in the community who could help?

When INH closed, there was an outpouring of support from members of the community who have medical experience offering their time and expertise. While this was certainly greatly appreciated, few were available to work more than a shift or two from time to time. Unfortunately, we really need to hire more than 50 full-time care staff to meet licensing requirements.

I heard it was all about housing. Can't INH build some?

Affordable housing on or near Deer Isle has been a challenge for us (and many other organizations) for many years. When we were recruiting staff, we repeatedly lost candidates because there were no housing options available. While we would definitely need housing for our staff, creating housing does not create the staff. Currently, there are simply not enough qualified staff available whether we could house them or not.

That having been said, we have spent a great deal of time looking at the housing problem because we assumed we would need it (should we somehow be successful in recruiting nurses from the Philippines, for instance). We exhausted options for building on our existing land. We have looked at several houses to purchase for renovation. We examined several parcels of land for potential building sites. And we coordinated with the Island Workforce Housing Project (who brought their expertise to the task force). As a community organization, we remain committed to helping with this challenging problem, but it alone cannot address our staffing crisis.

Couldn't INH just hire one or two nurses and open for a few residents until more nurses are available?

Per regulations, before we could accept even one skilled nursing level patient, INH must already have in place full-time staff in multiple slots -- such as a director of nursing, a dietary manager, a social worker, nurses, and CNAs. The first patient in a reopened facility will be incredibly expensive. It could only become remotely affordable if we were somehow able to reach a full patient complement and a full staff.

Also, **and this is really important**, we can't "experiment" with hoping that we will be able to get more nurses in such an uncertain future. If we bring some patients back (even if we were able to absorb the front-end expenses) and then we are still unable to get the nurses and other staff we need, we would have to close again, and try to place our residents in other facilities. Because other nursing facilities in the state are all facing challenges similar to ours, we would have no assurance that safe and appropriate placements could be made to other facilities within reasonable travel distances. We simply cannot risk the safety of our patients without a more predictable long-term supply of qualified staff to care for them.

If INH can't hire nurses, why not just open with residential care only?

We very seriously considered this path. Much of the work with Covenant Health involved analyzing various scenarios like this one to see if they were financially viable.

The most basic consideration when we assess the financial viability of reopening the nursing home in the current healthcare market is what it costs to care for a particular kind of resident compared to what the State of Maine or CMS will reimburse us for that care.

Simply put, the State will only pay for about ½ of what it costs us to provide residential care. In 2021, we received only \$97/day to care for a resident in our residential care unit. Even after dramatic cost-cutting measures over the last several years, it costs us approximately \$193/day to provide this care. The 2022 reimbursement rose to \$126/day due to federal CARES Act funding and other reforms approved by the Legislature. This is a positive development, but it still falls well short of covering our true costs. Even with the new reimbursement rate, if we were to operate solely as a residential care facility, we would lose approximately \$500,000 each year.

In the past, we have compensated for this loss by also providing skilled nursing care which costs a great deal more to provide, but which is reimbursed more fairly by private insurance and by CMS through Medicare. By sharing infrastructure and staff across the two, we had been able to operate in prior years at a more moderate overall loss (approximately \$60,000 per year). Before the extreme staffing crisis, we had been able to absorb this loss with annual donations from our community.

So, without the skilled nursing care unit to help offset the costs, it is not financially viable to operate solely as a residential care facility dependent on reimbursements from the State of Maine.

If it isn't affordable for INH, how come other facilities can provide only residential care?

There are other residential care facilities that are subject to these same challenges, but survive. There are several reasons for this:

- Some are much smaller with only a few beds. Small residential care facilities are not subject to many of the same regulations as a facility of our size.
- Some are part of a much larger organizations that provide other levels of care and can spread costs and leverage their scale to absorb losses.
- Some do not have to deal with the additional expenses associated with being on a more remote island.
- Some rely more heavily or exclusively on private pay residents to pay significantly higher rates but this economic model would not serve our community as we are committed to serving residents of all income levels.

If INH might be able to get nurses from abroad in 2-3 years, why not just stay closed temporarily and reopen then?

This is exactly the course of action we seriously explored and hoped to pursue.

For this to work, however, we would need permission from the State and CMS to further “suspend” our state licenses and extend our Medicare certification until we might be able to reopen in a few years. We met with DHHS officials on April 20, and discussed this proposed course of action in some detail. While they have been very supportive throughout this process, they said that while they might be able to provide short extensions on our state licenses, they did not control decisions made by federal CMS officials in Boston, and stressed that in their experience, it was “unheard of” for CMS to provide extensions of Medicare certifications beyond the 1 year it had already given us. If a further extension of our Medicare certification could be obtained, it would only be for another six months and bring us to April of 2023 when it would lapse.

So, if they won't continue to suspend INH's licenses and certifications can't you just reapply for new licenses and certifications in a few years once you are able to bring in staff from abroad or otherwise find sufficient staff?

Ideally, yes. But in our April meeting with state officials, they also pointed out that once the existing Medicare certification had lapsed, we would no longer be a "grandfathered" facility, but rather would be required to seek Medicare certification as a new provider, and would have to meet several structural and other standards applicable to new Medicare providers as further detailed below.

We were also informed by the DHHS officials and our legal counsel that there are at least three related significant complications to this plan flowing from the lapsing of our current licenses and certifications:

- 1) We would need to obtain from DHHS a Certificate of Need (CON) to reestablish skilled nursing facility services. DHHS approval would also be needed to reestablish residential care services. The CON law and regulations require applicants to prove they are "fit, willing and able" to provide the services, that sufficient staff can be recruited and hired, and that the services will be provided in an "economically and financially feasible" manner. Projections must be filed for the first three years of operation demonstrating a positive bottom line after all expenses are met. For all the reasons set forth above, we do not see how we could meet these CON standards.
- 2) The CON law, as interpreted by the DHHS Commissioner since 2010, also requires that, to be approved, applicants proposing additional nursing facility or residential care facility beds, must show they are "MaineCare Neutral" and do not add net additional MaineCare expenses to the system. To meet this standard, CON applicants need to acquire MaineCare "bed rights" from other facilities that have closed or have downsized, under terms that have been approved by the state. This means that the only way we would again be able to get licensed nursing care beds is if we can buy the needed MaineCare bed rights from another facility, at significant additional costs. So, unless there is legislative change that allows the state to issue new nursing care beds eligible for Medicaid funding, we will not be able to obtain the needed approvals to restore our licenses.
- 3) Since INH has had its licenses for a long time, we have been "grandfathered" from meeting certain of the standards in the newer regulations because our facility design had been sufficient under old regulations. If we reapply down the road, we will have to meet the current regulations. This would mean making monumental changes to the facility. For instance, we currently have 2 residents to a room and 2 rooms share a bathroom. As one example, current regulation calls for all single rooms with a private bathroom. That means twice as many bathrooms and half as many residents.

While we technically still have several requests pending with DHHS for interpretive rulings and accommodations that might somehow allow us to reopen as a nursing home in future years, we are not optimistic favorable ruling will be forthcoming, and the structural changes that we would need to make to the facility to meet current standards appear to be insurmountable.

So, if INH can't reopen as a nursing home, can the facility be used in another way?

Absolutely. While the nursing home is no longer operating, the non-profit organization that owns the facility is. We have a wonderful facility and no mortgage debt. Part of the assessment that Covenant performed confirmed that our facility is in good physical shape. There are a wide variety of opportunities to use it in ways that could serve the community. The key restriction is that the mission of the non-profit organization is to serve seniors in our community.

We have several ideas of how we may be able to create a whole new way of serving our seniors without so many of the challenges that come with providing skilled nursing care. More importantly, we hope to have an open dialog with the community to hear new ideas about priorities for the future. It is our intention to begin public discussions in June to listen to gather suggestions about how we might make best use of the facility in accordance with our mission.