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## State Targets Low-Occupancy Nursing Homes for Steep Medicaid Cuts

By Alex Spanko | August 22, 2019 August 22, 2019

Lawmakers in the state of Connecticut have targeted nine facilities for major Medicaid cuts due to low occupancy, raising concerns about access issues from operators and employees alike — and highlighting the occasionally paradoxical relationship between skilled nursing usage and funding.

The nine properties face a total of \$6 million in lost Medicaid reimbursements, [the Hartford Courant reported on Thursday](#), marking the first round of cuts after the state legislature eliminated so-called [“stop-loss” protections](#) for lower-occupancy SNFs.

National skilled nursing player Genesis HealthCare (NYSE: GEN) operates five of the nine affected properties, according to the Courant, with Connecticut-based Apple Rehab owning two more; individual owners control the remaining pair.

State legislators argue that the relatively low occupancy rates at the facilities — which, the Courant reported, range from 50% to 70% — represent a drain on taxpayers, with state dollars flowing toward underutilized facilities. Operators and union officials, meanwhile, argue that the properties offer vital services that residents simply can't access anywhere else.

“Some of these facilities offer special services that are not available elsewhere, including beds for hospice care, respiratory and dialysis treatment services,” Rob Baril, president of local health care union District 1199 New England, said in a statement. “These unique services are considerably more expensive for the state to cover in hospital beds as opposed to nursing home beds.”

Genesis had previously approached the state government to institute a more gradual wind-down of its beds in the Constitution State, with vice president for operations Sean Stevenson offering to trim 356 beds by October in a spring letter to Connecticut officials cited by the Courant.

“I believe this gives the state the desired reduction of licensed beds but is done in a strategic manner ... versus a haphazard process where entire buildings will have to close,” Stevenson wrote, per the Courant; the state has not approved that plan.

While state officials stressed that the nine buildings aren't going to close anytime soon, the case highlights access issues in Connecticut and elsewhere across the country. Though occupancy may seem low now, many operators and analysts have argued that the aging baby-boom population will eventually overwhelm current demand.

Matthew Bivolack, principal at accounting and consulting firm Marcum LLP, told SNN earlier this year that despite occupancy rates in some areas of Connecticut pushing 90% or above, [closures could prove costly](#) for people who can only receive care in the institutional skilled nursing setting.

"There's areas in the state where, if any more facilities were to close, it would be an access issue," Bivolack, who serves as the national health care practice leader for Marcum, said.

Connecticut leaders did recently enact an across-the-board increase in Medicaid rates for other nursing homes in the state, with Gov. Ned Lamont telling the Courant that the cuts to the nine buildings "will allow us to meet consumer demand ... and improve the long-term care experience for our residents and their families."

But Baril insisted that the cuts will disproportionately affect already vulnerable populations in the state.

"Most of the nursing home facilities listed for defunding are located in or around Connecticut's cities," Baril said. "Closing these facilities will mostly hurt nursing home workers and residents who are black and brown, immigrants, and low-wage earners."

Connecticut isn't the only state where declines in occupancy can result in a downward-spiral affect on nursing home funding. Wisconsin, which has seen its share of SNF closures and stressors in recent years, bases its Medicaid rates for operators on overall state utilization. In a state where that number declines 3% each year, that means the problems can only compound, with local leaders predicting that [demand may outstrip supply](#) by as soon as next year in some markets.

"People can't receive 24-hour nursing care in the home setting or in an assisted living setting, so there's going to be a bottoming out," Brent Rapos, LeadingAge Wisconsin vice president of financial and regulatory services, said back in May. "There's going to be a time where if you take nursing homes completely out of the picture, then those people are going to be receiving that same care in a hospital, because that's the only other setting currently that exists."