

HEALTH CARE

# Hospital nursing homes face 30% cuts in Medi-Cal

Facilities bracing for reduction in services, possible closures



Lea Suzuki / The Chronicle

**Frieda Saenz (right) wraps a towel around Dulce Martinez in the beauty salon at the Jewish Home of San Francisco. The facility is trimming services amid Medi-Cal cuts and requests for retroactive payments.**

By Victoria Colliver

Looming Medi-Cal cuts threaten doctors, pharmacists, hospitals and clinics, but operators of nursing homes attached to hospitals — including two of the state's largest in San Francisco — say they bear the biggest brunt of reductions to the state's public health program for the poor.

California is set to cut Medi-Cal reimbursements by 10 percent to most health care givers possibly as early as this summer, but cuts of 25 to 30 percent may fall on a category of nursing homes that devote a por-

**“Some of these facilities will simply have to declare bankruptcy or shut their doors.”**

*John Pfeiffer of HFS Consultants, on the possible impact of Medi-Cal cuts*

tion of their beds to hospital care. The change could force operators to reduce services, transfer patients out or even shut their doors.

Laguna Honda, which is owned and operated by the county of San Francisco and has 780 beds, 11 ded-

icated to acute hospital care, is among the 90 nursing homes in California expecting those cuts. Another is Jewish Home of San Francisco, a nearly 400-bed private nursing home where about 96 percent of the long-term residents are covered by Medi-Cal and about a dozen beds are used for hospital-based psychiatric care.

“We are being so disproportionately adversely financially affected,” said Daniel Ruth, executive director of the 142-year-old Jewish Home, after he calculated the cuts at 29.2 percent off the current rate. “It’s

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absolutely, unequivocally unfair."

The overall cuts to Medi-Cal date back to legislation designed to save the state about \$330 million. Gov. Jerry Brown signed the bill into law in 2011, and an ensuing court battle ended in May, when the Ninth U.S. Circuit Court of Appeals in San Francisco denied health care providers a reconsideration of an earlier decision by a three-judge panel of the court to lift an injunction blocking the cuts.

**Retroactive payments**

Barring some other legal or legislative maneuver, the state can now impose 10 percent reductions in Medi-Cal reimbursement rates. In addition, any health care provider that accepts Medi-Cal patients will have to reimburse going back to 2011.

But for care centers like Laguna Honda and Jewish Home of San Francisco that have some beds devoted for hospital care, the cuts will be much deeper.

The hospitals are reimbursed at a higher rate than regular skilled nursing homes because their patients tend to be sicker. But for reasons that are unclear, the 2011 legislation based their 10 percent reduction in the reimbursement rates on 2008-09 levels. They also will have to make the retroactive payments dating back two years.

For the Jewish Home, the combination translates into a retroactive payment of \$19.3 million, plus about an \$1 million hit each year moving forward, said Ruth, who has already started laying off staff and cutting back programs for residents.

"If the Jewish Home had to sustain both the prospective cut and retroactive liability, the home's future viability is really, really in question," said Ruth, who has already started laying off staff and cutting back programs for residents.

**Bill could halt cuts**

A bill being considered by the Legislature could halt the rate cuts to those special nursing homes, but it's unclear how far the legislation, authored by Assemblyman Luis Alejo, D-Salinas, will go.

John Pfeiffer, a principal with HFS Consultants, an Oakland financial consultancy



Photos by Leo Suzaki / The Chronicle



Above, Rabbi Sheldon Marder holds a microphone for Marvin Langstrom during a program at the Jewish Home of San Francisco. Left, Rudy Hooremans exercises in the home's fitness center. The nursing home faces steep Medi-Cal cuts.

that could go the U.S. Supreme Court, Emerson-Shea said.

"This battle is not over," she said. "We're trying to figure what is our next option because where we are currently is not acceptable."

**Feeling the crunch**

Meanwhile, residents of the Jewish Home have already been feeling the impact of the cutbacks the center has made in advance of the looming fiscal crisis.

Edie Shaffer, 83, described a "doom and gloom" atmosphere. "Everyone is uneasy," she said. "There are people here who are worried they will be kicked out."

For Shaffer, who has lived at the Jewish Home for three years and is president of the residents' council, "this isn't just where I live. It's not just my address. It's my home."

While she was disappointed that cutbacks have curtailed her improvisational comedy class and that the home can no longer provide routine escorts to medical appointments, she and her family have deeper concerns.

"When I push my call light," she said, "am I going to have to wait too long to get help?"

for health care facilities, said words like "drastic and dire" are not too extreme to describe the situation the hospital-based nursing homes are in.

"Some of these facilities will simply have to declare bankruptcy or shut their doors," Pfeiffer said.

Laguna Honda faces cuts of 26.6 percent off the current reimbursement rate, plus a retroactive payment of \$41.5 million, said Mivic Hirose, the center's executive administrator.

Even though the new rates will cover just 54 percent of the cost of care, Hirose said Laguna Honda, which is fortunate to

have the financial backing of the city and county of San Francisco, doesn't have the option of shutting its doors.

"These are the patients who can't go anywhere else in the system," she said, adding that almost all the residents are covered by Medi-Cal. "We are the safety net. We won't say no to patients who need skilled nursing care."

**Rural hospital impact**

While the bulk of the affected centers are concentrated in urban areas, health experts say that rural hospitals may be hit particularly hard. That's because community hospitals in

sparsely populated areas often devote a portion of their beds to skilled nursing care to keep their beds filled.

"They're the only source of health care in the rural communities in many cases, and they're not part of a larger system than can weather this," said Jan Emerson-Shea, spokeswoman for the California Hospital Association, which represents the state's hospitals. "They are looking at having to shut the entire facility down."

The California Hospital Association has until the end of August to decide whether to appeal the decision, a move

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